

**FBIS****DAILY REPORT  
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PRC INTERNATIONAL AFFAIRS  
GENERAL

A 1

INTERNATIONAL CHINA INVESTMENT WORKSHOP HELD

OW281955 Beijing XINHUA in English 1504 GMT 28 Feb 86

[Text] Guangzhou, February 28 (XINHUA) -- Foreign and Chinese economists will discuss investment in China during an international workshop that opened in this capital of Guangdong Province today. Senior Chinese officials will brief 340 participants on the country's use of foreign funds during the three-day meeting being sponsored jointly by the Chinese Accounting Society and the Hong Kong Society of Accountants. They will also explain China's policy of opening to the outside world, its market development and accounting as regards Sino-foreign joint ventures, cooperative businesses and foreign-owned enterprises.

Meanwhile, Hong Kong officials will lecture on the territory's role in China's economic development. Participants will discuss how to raise funds for investment in China, and solve taxation problems arising from investment in the country, as well as the problems from different accounting and auditing standards. Attending the workshop are 200 experts from Australia, Britain, Canada, Pakistan, Singapore, the United States, as well as Hong Kong. Present at today's meeting were Ye Xuiping, governor of Guangdong Province; Zhu Senlin, acting mayor of Guangzhou; Piers Jacobs, financial secretary-designate of Hong Kong; Robert May, president of the International Federation of Accountants; and John Miller, president of the Confederation of Asian and Pacific Accountants.

AVIATION COUNCIL RESOLUTION CENSURES ISRAEL

OW020922 Beijing XINHUA in English 0729 GMT 2 Mar 86

[Text] Ottawa, March 1 (XINHUA) -- The International Civil Aviation Organization (ICAO) Council adopted a resolution Friday in Montreal, condemning Israel for its interception last month of a Libyan civil aircraft in international airspace over the Mediterranean. The resolution, adopted by 22 votes to one, with nine abstentions, was co-sponsored by Algeria, China, Czechoslovakia, India, Lebanon, Madagascar, Pakistan and the Soviet Union.

On February 4, Israeli military planes intercepted a Libyan airliner en route from Tripoli, Libya to Damascus and forced it to land in northern Israel. The plane, crew and passengers, most of whom were Syrian officials, were freed after a vain search for Palestinian guerrillas. The Israeli action aroused condemnation the world over.

The resolution said, "Israel, by its action of February 4, 1986, has committed an act against international civil aviation in violation of the principles of the Chicago convention, committed in international airspace an act which constitutes a violation of the principles of freedom of air navigation along international air routes over the high seas." It went on to condemn Israel for the interception and diversion of the Libyan Arab Airlines aircraft and called "upon all states to take appropriate measures to prevent acts against the freedom and safety of international civil aviation and its facilities." The United States voted against the resolution.

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PRC INTERNATIONAL AFFAIRS  
UNITED STATES

B 1

U.S. TO CREATE THINK TANK FOR 'STAR WARS' PROGRAM

OW011936 Beijing XINHUA in English 1921 GMT 1 Mar 86

[Text] Washington, March 1 (XINHUA) -- The U.S. Defense Department is planning to create a government-funded think tank to support the Strategic Defense Initiative (SDI) known as the "star wars" program, THE WASHINGTON POST reported today.

Chief Defense Department spokesman Robert Sims told reporters that Defense Secretary Caspar Weinberger believes the new think tank would help "insure over the long run that we make good choices and that we have technical support that would hold no allegiance to any particular sector or organization." Sims added that Weinberger "has been briefed on the concept, and thinks it's a good idea." Sims also said that Weinberger "has not signed off on any paperwork yet. It is in the works, as far as ironing out the various details of the paperwork."

This think tank center, which is essentially a government-owned, high-technology company doing systems analysis, would be based in the Washington area and might cost 30 million dollars per year or more, it is estimated. The SDI program costs three billion dollars a year. Like the SDI program itself, the plan has aroused controversies. Opponents said the proposed think tank would compete unfairly with private firms while being almost immune from congressional scrutiny, and others said the plan is a means to help entrench the controversial SDI program while the Reagan administration remains in power.

U.S. TO USE 'JUDICIOUS' FORCE AGAINST TERRORISM

OW021939 Beijing XINHUA in English 1850 GMT 2 Mar 86

[Text] Washington, March 2 (XINHUA) -- The U.S. Administration has indicated that it will use force cautiously in combating terrorism but will not surrender to the terrorists, THE NEW YORK TIMES reported today. A report to be officially issued Thursday by Vice President George Bush's task force on combating terrorism, says the U.S. will rule out random acts of retaliation against those states harboring terrorists. "A successful deterrent strategy may require judicious employment of force," the report says. When terrorists can be identified and located, the American policy is to act in a way that does not surrender "basic freedoms" or endanger "basic values," it adds.

The United States has repeated that it will not rule out the use of military forces against terrorism since the bomb attacks at the Rome and Vienna airports on last December 27, which killed 18 people including five Americans. According to U.S. officials, the report more or less keeps to the current American policy lines, which have been marked by disagreements within the administration on how to respond to terrorists.

The report calls for the creation at the White House of a "special high-level coordinating group", or the task force, to consider the possible use of American force in case of a crisis. The task force, a State Department official said, recommended "continuation of the policy of no concessions, no backing down where terrorism is concerned."

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PRC INTERNATIONAL AFFAIRS  
UNITED STATES

MILITARY EXPENDITURES THREATEN ECONOMIC GROWTH

OW030406 Beijing XINHUA in English 0243 GMT 3 Mar 86

[Text] Washington, March 2 (XINHUA) -- Soaring global military expenditures have become a major cause of environmental deterioration and economic decline in many countries, according to a new "State-of-the World" report by the Worldwatch Institute. The Washington-based research group's findings, reported by THE NEW YORK TIMES today, concluded that the chief threats to national security of industrialized and developing nations come less from external military pressure than from deteriorating land and resource bases and from economies burdened with crushing expenditures on arms and armies. For the United States, the Soviet Union and some other industrialized countries, the heavy investment in arms has meant loss [of] capital for industrial development, weakened competitive positions in international trade and rapidly growing national debt, the report said. For some developing countries, it noted, arms expenditures have come at the expense of saving the land and water resources that support human life.

In 1984, according to the report, the value of international trade in arms totaling 35 billion U.S. dollars for the first time, exceeding trade in grain which was posted at 33 billion dollars and thus "putting guns ahead of bread in world commerce." [sentence as received]. Spending on arms, which totaled 980 billion dollars worldwide in 1985 and was more than the combined income of the poorest half of the world, is absorbing capital that is sorely needed for economic development and conservation of "life support systems" such as soil, water, forest and grasslands in third world countries, the institute report added.

In Sub-Saharan Africa and in Latin America, such life support systems are deteriorating rapidly, the institute noted. "For many Third World countries, the choice is either continued militarization or the restoration of the economy's environmental support systems." Several other countries, including China, Argentina and Peru have started to turn away from military buildups and devote the capital thus freed to economic development, the institute report noted. The report also cited military spending as a major cause of depressed economic growth and loss of relative world economic strength for both the United States and the Soviet Union.

The institute said that Japan, which spends only about 1 percent of its national product on arms compared with 7 percent by the United States and 14 percent by the Soviet Union, is far outstripping both military superpowers in economic growth. It held that military spending is a major reason that the national debt of the United States doubled between 1980 and 1985 and that the United States trade balance deteriorated so rapidly in that period. Contending that the United States and the Soviet Union set the pattern for global militarization after World War II, the report said the two superpowers could strengthen their economies and encourage global demilitarization by reducing their own military expenditure.

TRANSCONTINENTAL PEACE MARCH STARTS IN U.S.

OW021122 Beijing XINHUA in English 1038 GMT 2 Mar 86

[Text] Beijing, March 1 (XINHUA) -- More than 1,000 people calling for nuclear disarmament set out from Los Angeles Saturday on the nine-month "Great Peace March" on Washington D.C., 5,200 kilometers away, according to reports received here. The March was conceived in April 1984 by David Mixer, 39, whose political activism began in the 1960's.

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PRC INTERNATIONAL AFFAIRS  
UNITED STATES

Mixer is the director of Propeace (People Reaching Out for Peace) and leader of the great march across America. The procession is scheduled to reach Washington on November 14, and pass through Las Vegas, Denver, Des Moines, and Pittsburgh, among other cities on the route. The march's Pro-peace organizers hope the marchers will number 5,000 by the time they reach Washington. For the time being, equipment shortages have limited the number of marchers to 1,200.

MUSEUM ACCEPTS VIDEOTAPE ON STILWELL ACTIVITIES

OW011954 Beijing XINHUA in English 1908 GMT 1 Mar 86

[Text] Wuhan, March 1 (XINHUA) -- The Museum of the Chinese Revolution has accepted a video-tape about the late American General Joseph W. Stilwell's activities in China during the Second World War. A ceremony was held here Friday to accept the tape from the Wuhan television station which got it from Nancy Stilwell Easterbrook, daughter of the general, as a gift. General Stilwell was the Commander of the U.S. Forces in the China-Burma-India Theater during the war.

Wan Gang, a leading official of the museum, said at the ceremony that the tape reflects the contributions of the General to the Chinese resistance war against Japanese aggression and is important for research into the Second World War. When presenting the tape to the TV station last July, Mrs. Easterbrook said in her letter that the Chinese people did not forget their friends, one of whom was her father. She said she presented the tape as a gift to commemorate the 40th anniversary of victory in the resistance war.

27TH CPSU CONGRESS CONTINUES IN MOSCOW

## Shevardnadze Attacks U.S.

OW010724 Beijing XINHUA in English 0631 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- Soviet Foreign Minister Eduard Shevardnadze, in a bitter attack on U.S. foreign policy, Friday described President Ronald Reagan's response to Soviet proposals on nuclear arms control as "containing nothing new or constructive."

Speaking at the Soviet Communist Party Congress in Moscow, he criticized Western countries for failing to respond positively to Moscow's offer to remove its medium-range missiles from Europe. Moscow's proposals, made public by the Kremlin leader Mikhail Gorbachev on January 15, call for a stage-by-stage reduction, and ultimate abolition of nuclear weapons by the year 2000. Reagan's response was made in a letter sent to Gorbachev last weekend.

"We have not discovered in it any new, much less constructive, elements," Shevardnadze said. He also said the attempt by the U.S. to link the problem of nuclear disarmament to the settlement of regional conflicts is "the ultimate in hypocrisy." "Talking regional conflicts are those who themselves help preserve them and promote their spread," he said. The Soviet foreign minister also accused Britain and France of rejecting a Soviet suggestion that they agree not to build up their respective nuclear arms in case Soviet agreement with the United States is reached.

## Sokolov Accuses U.S. on Arms

OW011600 Beijing XINHUA in English 1549 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- Soviet Defense Minister Sergey Sokolov today accused the United States of continuing the nuclear arms race and stated that the Soviet Union would find "an effective response" to space arms. Addressing the 27th party congress in the Kremlin, Marshal Sokolov noted that "imperialist states had scaled up military preparations further" in recent years and that the U.S. Strategic Defense Initiative "constitutes a special threat."

Sokolov, who is also an alternate Politburo member of the party Central Committee, described U.S. President Ronald Reagan's response to Soviet nuclear arms control proposals as lacking a solution to the question of preventing an arms race in outer space and aiming at continuing the nuclear arms race. The U.S.S.R. has always found a fitting response to any challenge and, too, will find an effective response to space arms, the minister stressed.

At Friday's session of the party congress, Soviet Foreign Minister Eduard Shevardnadze also criticized Reagan's answer to the Soviet new disarmament proposals, describing it as "containing nothing new or constructive." In the meantime, Viktor Chebrikov, chairman of the State Security Committee (KGB), denounced the United States and several other NATO countries for "seeking to acquire our (Soviet) political, military, economic and scientific and technical secrets." He said that a number of agents of Western intelligence services have been uncovered at Soviet ministries and departments. Measures envisaged by Soviet legislation are resolutely adopted and will be adopted "to combat such hostile actions" of Western countries, he stressed.

## New Party Program Approved

OW011635 Beijing XINHUA in English 1620 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- The 27th Soviet Communist Party Congress today endorsed a new edition of the party program and amendments to the party rules at the end of a four-day debate on the political report given by Soviet leader Mikhail Gorbachev on February 25. The draft new edition of the party program was approved at a Central Committee plenary session and published for debate throughout the party last October.

The most noticeable change in the program is the definition of the period which the Soviet Union is presently in. According to the new edition, the party's primary task during this period is to upgrade socialism "in a planned and all-round way" and to advance the Soviet society into communism "through accelerated national socio-economic development." This definition contrasts with that in the previous edition of the program, worked out under Nikita Khrushchev in 1961, which predicted that "a communist society will have been basically established in the Soviet Union by 1980 and completely established thereafter."

The revised party rules replace those also adopted in 1961 and amended during the reign of Leonid Brezhnev. They stress the need to broaden inter-party democracy and exercise collective leadership, which is the supreme principle of the party's leadership and an essential condition for promoting the initiative and activity of its membership. According to the Soviet news agency TASS, the party congress today also passed a resolution summing up the delegates' debate on Gorbachev's political report.

## Role of Socialist Market

OW012018 Beijing XINHUA in English 2000 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- Socialist market should play "an important role" in increasing production and improving product quality, a senior Soviet official said today. Vsevolod Murakhovskiy, first deputy prime minister and chairman of the State Agro-Industrial Committee, told the 27th Soviet Communist Party Congress that the country should not be afraid of the market role because the scope of the socialist market is determined by the socialist system.

How to look at the market role under socialist conditions is one of issues under exploration in the present Soviet economic reform. However, there are divergences among Soviet officials and economists over the issue. Murakhovskiy said that the backward agriculture still remains a problem unsolved though the Soviet Union has made certain progress in farm production. In many places, he said, the cause of the backwardness is the poor management.

He stressed the importance of a stable plan for purchasing farm produce, a well-founded price system and material reward to farmers who sell above-quota grain to the state. Since 1978, Murakhovskiy had been first secretary of the Stavropol regional party committee before he was appointed first deputy prime minister and chairman of the State Agro-Industrial Committee last November. The State Agro-Industrial Committee was set up in November last year on the basis of six agriculture-related ministries to improve agriculture management and boost food production.

## SFRY Delegate Speaks

OW011040 Beijing XINHUA in English 0754 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- Dimec Belovski, head of a Yugoslav delegation to the Soviet Communist Party's 27th congress, said Thursday that his country supports constructive proposals toward disarmament and calls for practical steps in this field.

According to the Yugoslav news agency TANJUG, Belovski, who is Presidency secretary of the Central Committee of the League of Communists of Yugoslavia, noted in a speech at the congress that "Yugoslavia and the movement of non-alignment have always supported constructive proposals and practical steps toward disarmament, strengthening of peace and security in the world, and the democratization of political and economic relations in the international community." He said that Yugoslavia follows with consideration proposals put forth by Soviet leader Mikhail Gorbachev for detente in the world and an end to the arms race.

But, Belovski pointed out, "the vital interests and aspirations of mankind toward a world free of arms and wars, free of the division into rich and poor, with active coexistence and recognition of national sovereignty, territorial integrity and non-interference in affairs of other countries are still not respected." He reaffirmed that Yugoslavia will continue its course of independence, non-alignment and active contribution to the peace, security and equality in the world.

#### Ceausescu Addresses Congress

OW010756 Beijing XINHUA in English 0644 GMT 1 Mar 86

[Text] Moscow, February 28 (XINHUA) -- Romanian leader Nicolae Ceausescu has stressed the necessity of diverse roads in building socialism. In an address to the Soviet Communist Party's 27th congress on Thursday, which was published in the Soviet newspaper PRAVDA today, Ceausescu noted that "socialism is built in different stages and under various forms in different countries."

The Romanian Communist Party, he said, insisted on the "need for total equality and respect for the independence and right of each party to independently determine its political line and revolutionary strategy, taking into account actual national conditions without interference from other parties." Ceausescu expressed full support for Moscow's initiatives in reducing nuclear armaments, ending nuclear weapon tests and preventing the militarization of space, PRAVDA said. The Romanian leader also reaffirmed his country's stand on the establishment of nuclear-free and chemical-free zones not only in the Balkans, but also in other regions of the world. After the address, Ceausescu met with Soviet leader Mikhail Gorbachev.

#### Gorbachev Meets With Jaruzelski

OW020736 Beijing XINHUA in English 0633 GMT 2 Mar 86

["Gorbachev Reaffirms Solidarity With Polish Communists" -- XINHUA headline]

[Text] Moscow, March 1 (XINHUA) -- Soviet leader Mikhail Gorbachev today met with first secretary of Polish United Workers' Party Wojciech Jaruzelski, who is heading a delegation to the 27th Soviet Communist Party Congress. Jaruzelski's delegation was among 150 foreign party groups attending the congress, which is expected to close on March 6.

Gorbachev also held talks with other foreign party leaders, including Nicolae Ceausescu of Romania, Erich Honecker of Democratic Germany and Janos Kadar of Hungary. According to the official Soviet news agency TASS, Gorbachev, general secretary of the Soviet Communist Party, reaffirmed at the meeting support for the Polish party and people to strengthen socialist gains. Jaruzelski stressed the scope of the tasks outlined by the 27th congress and the "outstanding international importance" of the new edition of the Soviet Party Program approved today at the congress, which opened on February 25.

Before meeting with Gorbachev, Jaruzelski called for creative application of Soviet experience of building socialism. In his speech to the congress, the Polish leader said, "your vast experience of building socialism is of universal significance. To draw on it, to use it creatively and dialectically in the concrete historic conditions of every country is the most reliable way of making socialism stronger with each passing day."

Meanwhile, Hungarian party leader Kadar, who met with Gorbachev yesterday, also spoke of the need to take into account the conditions of his country in building socialism. "Our party takes into account both the general laws of socialist construction and the conditions of our country, as well as the experience of other socialist countries," Kadar said at the congress.

#### Pays Tribute to Olof Palme

OW011340 Beijing XINHUA in English 1306 GMT 1 Mar 86

[Text] Moscow, March 1 (XINHUA) -- The delegates to the 27th Congress of the Communist Party of the Soviet Union paid tribute to the memory of Swedish Prime Minister Olof Palme with a minute of silence. Viktor Chebrikov, the current congress chairman, said, "we are outraged and shaken by the mean murder of the outstanding statesman."

Palme was murdered last night in Stockholm when he was walking home along with his wife from a cinema. The Soviet news agency TASS reported the news of assassination of Olof Palme at three o'clock this morning. It called him a world-known statesman, and said his activities aimed at promoting peace, general disarmament and international security earned him authority and recognition in many countries.

#### Italian Delegate on Afghanistan

OW021314 Beijing XINHUA in English 1213 GMT 2 Mar 86

[Text] Moscow, March 2 (XINHUA) -- Ugo Pecchioli, a member of the Italian Communist Party Secretariat, addressing the 27th Soviet Communist Party Congress Saturday, called for restraint from interference in the internal affairs of other countries and a quick solution to the Afghan issue. "We also look for a quick political solution to the Afghan issue," Pecchioli added. He said the spirit of negotiation should prevail over military interference.

The Italian Communist Party delegation is among 150 foreign party groups attending the congress, which opened on February 25 and is expected to end on March 6. Addressing the congress earlier on the relations among the communist parties, Gaston Plissonier, member of the Political Bureau as well as member of the Secretariat of the French Communist Party, pointed out that each party should be totally independent and consider the situation in their home countries when forming policies for building socialist society.

#### ZAMYATIN CN CONDITIONS FOR NEXT SUMMIT

OW281823 Beijing XINHUA in English 1442 GMT 28 Feb 86

[Text] Moscow, February 28 (XINHUA) -- The next Soviet-U.S. summit should not be only a protocol occasion and the two sides should get down to practical solutions to political problems. This was proposed today by Leonid Zamyatin, chief of the party's international information department. The summit, he told a press conference, should discuss bans on space militarization and on all kinds of nuclear tests, and elimination of the medium-range nuclear missiles in Europe.

Zamyatin said the Soviet Union is prepared to hold next summit with the United States at any time if the meeting can promote the agreements reached in the last summit in Geneva and turn them into concrete political accords on all major military and other international problems. Speaking at the same press conference, Georgiy Korniyenko, first deputy minister of foreign affairs, stressed again that the latest arms control proposal by President Reagan "could in no way be described as constructive." "It shows," he added, "the U.S. leadership intends to continue stepping up the arms race on earth and spreading it to the outer space."

S. KOREANS RELEASED FROM HOUSE ARREST

HK010928 Beijing RENMIN RIBAO in Chinese 26 Feb 86 p 6

[Special dispatch from Pyongyang by reporters Liu Zhengxue and Feng Zhiyuan: "South Korean Authorities Compelled To Release Kim Tai-chung and Kim Yong-sam From House Arrest; NODONG SINMUN Condemns South Korean Authorities' Suppression Atrocities"]

[Text] Pyongyang, 25 Feb (RENMIN RIBAO) -- Because of strong pressure from the opposition parties and the masses, the South Korean authorities were compelled to release democrats Kim Tai-chong, Kim Yong-sam, and others from house arrest. On 25 February, Chon Tu-hwan negotiated with leaders of the opposition parties, Yi Min-u, chairman of the New Korea Democratic Party, and Yi Man-sop, Chairman of the National Party, and with No Tae-u, representative of the ruling Democratic Justice Party, on political, economic and social problems caused by the signature campaign to revise the existing "Constitution."

Although Chon Tu-hwan agreed to set up a committee of the Nations' Assembly to study the revision of the Constitution, he held that this question must be discussed after his term as president is over in 1988. According to reports, the opposition parties rejected this and insisted that the Constitution be immediately revised and the president be elected by direct election. Therefore, for some time to come, there will be a very big hidden crisis in the political situation in South Korea.

According to other reports, Korea's NODONG SINMUN published a commentary on 25 February, condemning South Korean authorities' atrocities in suppressing opposition parties, youth, and students who demand democratic rights. The NODONG SINMUN commentary held that at present, South Korea is "in fact in an unusual martial law state." If the South Korean authorities continue to suppress the youth, students, and people who demand democracy, it will be impossible to reunify the nation in a peaceful manner.

BEIJING REVIEW ON 'TEAM SPIRIT-86' EXERCISE

OW281136 Beijing BEIJING REVIEW in English 24 Feb 86 p 11

[By Guo Quanyou]

[Text] U.S. and South Korean military exercises that started on February 10 will unquestionably harm the fragile state of detente which the two sides of Korea have slowly achieved through painstaking dialogue. Last year's tiny beacon of hope for peace on the Korean peninsula was over-shadowed in the glare of the January 18 announcement that the United States and South Korean troops would hold joint military exercises dubbed "Team Spirit-86" beginning on February 10. The chilling announcement not only negated the progress of the last year, but it also renewed the concerns of the Democratic People's Republic of Korea (DPRK) and the international community.

In recent years the Korean peninsula has seen speeding up steps in the peace process. In January of 1984 North Korea issued a major proposal for tripartite talks between North Korea, the United States and South Korea. In September of the same year South Korea suffered calamitous floods. Soon after this North Korea decided to provide a large quantity of grain, cloth and medicine in humanitarian aid to the disaster victims. This represented the first exchange of goods after North and South Korea were separated 40 years ago.

Last year the two sides held four rounds of economic talks, three rounds of Red Cross talks and two preparatory meetings for parliamentary talks which were characterized by the harmonious atmosphere in which they were engaged. In September of last year the two sides exchanged performing arts troupes and visits of delegations of members of divided families. This represented a breakthrough and encouragement to the people on both sides of the 38th Parallel demarcation line.

According to the plan agreed by the two sides, the sixth round of economic talks, the third preparatory meeting for the national assembly conference and 11th round of Red Cross talks were to be held in January and February this year. To create a favourable environment for these talks, the foreign ministry of the DPRK on January 10 announced a suspension of major military exercises starting from February 1. The ministry called upon the U.S.-South Korean side to reciprocate its goodwill gesture. To the disappointment of Korean people and peace-loving people of the world, however, the U.S.-South Korean side announced afterwards that it would go ahead with its "Team Spirit-86" joint military exercises involving more than 200,000 troops. Expressing displeasure at U.S.-South Korean lack of historical responsibility and sincerity for peace, the DPRK announced a postponement of talks.

The United States and South Korea have claimed that "Team Spirit-86" merely follows "convention" and is aimed at "self-defence." Anyone watching the situation on the peninsula, however, knows that since 1976, the scale of annual U.S.-South Korean military exercises has been growing, troops involved have increased from the original 90,000 to this year's 200,000, and the weapons and equipment used have been increasingly upgraded. Can the escalating nature of these military exercises be dismissed as "convention?" And if this "convention" is continued, can there ever be peace and national reunification?

The "self-defence" claim is even less plausible. First, nobody can seriously believe that the DPRK troops are preparing to attack the beaches of Hawaii. Second, the DPRK Government has frequently reiterated it has no intention of "driving southward," as is alleged by the South Korean authorities. On the contrary, the DPRK has initiated a number of proposals for national reconciliation and has taken several steps to bring about early national reunification and peace on the peninsula.

Obviously, the South Korean and U.S. claim that they are following "convention" is nothing more than a blatant excuse to flaunt their ever-upgraded military muscle. And their insistence that "Team Spirit-86" is being conducted merely to promote self-defense" is an attempt to camouflage their military aggressive posture. The past 40 years have made it clear that military buildups cannot solve the Korean problem. Rather, they aggravate tension on the peninsula and endanger peace in Asia and the rest of the world. The United States and South Korea should face reality, and not engage in activities in violation of the will of the Korean people.

#### KCNA REPORTS DEFECTION OF SOUTH KOREAN OFFICER

OW010913 Beijing XINHUA in English 0820 GMT 1 Mar 86

[Text] Pyongyang, March 1 (XINHUA) -- A South Korean intelligence officer recently defected to the Democratic People's Republic of Korea through a third country, the Korean Central News Agency (KCNA) reported. KCNA Said the defector, identified as Chong Tong-ik, 52, was an overseas intelligence officer of the South Korean Central Intelligence Agency. Chong also served in the military police and Seoul Metropolitan Police from 1952 - 1981, it added.

But the report gave no further details. Chong told reporters that he witnessed widespread corruption and injustice in South Korea and was disillusioned with society in the South. Chong was given a warm welcome by DPRK. He believed he had taken the right action. He said he would do his part to contribute to the cause of the fatherland's reunification.

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PRC INTERNATIONAL AFFAIRS  
NORTHEAST ASIA

HU QILI, LI PENG, DENG LIQUN VIEW DPRK OPERA

OW281744 Beijing XINHUA in English 1636 GMT 28 Feb 86

[Text] Beijing, February 28 (XINHUA) -- Artists from the Democratic People's Republic of Korea were warmly applauded at their premiere tonight at capital's Tianqiao Theater here. Among the audience were member of the Political Bureau of the Central Committee of the Chinese Communist Party (CPC) Hu Qili, Vice-Premier Li Peng, member of the Secretariat of the CPC Central Committee Deng Liqun, head of the Propaganda Department Zhu Houze, and Minister of Culture Zhu Muzhi. They also met with the leader of the troupe, Paek Chong-won, and Principal artists.

Chinese Communist Party General Secretary Hu Yaobang sent a basket of flowers for the premiere. The Kumgangsan Opera Troupe, which is now on a performance tour of China presented to the audience a colorful program of Korean and Chinese songs and dances, and the opera "Fairy Maidens on Mount Kumgangsan". The 95-member troupe will give another three shows in Beijing. The troupe had performed in Shenyang, Hefei and Shanghai after their arrival on February 3.

WAN LI MEETS DPRK HEALTH MINISTRY DELEGATION

OW011114 Beijing XINHUA in English 1109 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA) -- Vice-premier Wan Li met a delegation from the Ministry of Public Health of the Democratic People's Republic of Korea headed by Minister Yi Chong-yul here this afternoon. After the meeting, Cui Yueli, Chinese minister of Public Health, and Yi Chong-yul signed an agreement on Sino-Korean cooperation in public health and medical science and the implementation plan for 1986-1987 on behalf of their respective governments.

FANG YI MEETS JAPANESE GO CHESS DELEGATION

OW011516 Beijing XINHUA in English 1454 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA) -- A Japanese go chess delegation formed by members of the House of Representatives and House of Councillors arrived here today for the first Sino-Japanese high-ranking officials go chess contest starting tomorrow. The Japanese delegation is led by Inaba Osamu, advisor to the Liberal Democratic Party and member of the House of Representatives.

They were welcomed at the Beijing airport by Li Menghua, minister of the Chinese Physical Culture and Sports Commission and president of the Chinese Go Chess Association, and Jin Ming, leader of the Chinese go chess delegation and former secretary-general of the State Council. Fang Yi, state councilor and honorary president of the Chinese Weiqi (go chess) Association, met the visitors at the Great Hall of the People this evening, and Li Menghua gave a reception in the honor of the Japanese delegation.

Go chess, called Weiqi in China, is an ancient Chinese game played with black and white pieces on a board with 361 intersections. Last year saw frequent exchange of visits by Chinese and Japanese players. But this is the first time that high officials of the two countries meet for go chess games. The Japanese and Chinese officials will play two matches here Sunday and Monday.

HONG KONG OFFICIAL ON ECONOMIC LINKS WITH PRC

OW281628 Beijing XINHUA in English 1522 GMT 28 Feb 86

[Text] Hong Kong, February 28 (XINHUA) -- Hong Kong and the Chinese mainland have developed economic relations "of great mutual benefit", and the future prosperity of Hong Kong is linked to the success of China's modernization programs, Hong Kong's Financial Secretary-designate Piers Jacobs said in Guangzhou today. According to a press release of the Hong Kong Government Information Service, Jacobs spoke on "Hong Kong's role in China's Economic Development" at a joint conference of the Accounting Society of China and the Hong Kong Society of Accountants. He said that among some of the more significant developments was the re-emergence of Hong Kong's role as an entrepot for the Chinese mainland. This increasing importance is "unquestionably linked to the fact that Hong Kong has become a major financial, communication and business center in the Asian-Pacific region."

Apart from entrepot trade, there is a rapid growth of Hong Kong domestic exports to the Chinese mainland, the increase in travel to the mainland by Hong Kong residents for business and leisure, and an expansion of Hong Kong's trade in services with the Chinese mainland, including shipping, transportation, insurance, freight handling, banking and advertising, he said. Hong Kong also represents an important source of investment in the Chinese mainland, especially in the Shenzhen economic zone.

With regard to financial sector development, Jacobs said that Hong Kong could help with fund raising, providing management skill and expertise, and the promotion of technology transfer, especially in relation to computer and information technology.

HONG KONG LAW COMMITTEE GENERAL MEETING HELD

OW011945 Beijing XINHUA in English 1911 GMT 1 Mar 86

[Text] Hong Kong, March 1 (XINHUA) -- The consultative committee for the basic law of the Hong Kong Special Administrative Region (SAR) of the People's Republic of China held its first general meeting here today. The meeting adopted the agenda for the general meeting and heard reports of the executive committee on finance, working procedure and inviting advisors, and reports from the secretariat on tours to China's mainland. The meeting also heard group discussion reports on the structure of the basic law, and adopted a resolution on the establishment of eight special groups dealing with such matters as the structure of the basic law, the political structure of the SAR and the relationship between the central government and the SAR.

The committee has so far invited 16 advisors, both Chinese and foreigners, who are well-known in Hong Kong and have extensive international connections and a good understanding of Hong Kong affairs.

The 180-member consultative committee was formally inaugurated December 18 last year. According to the constitution of the consultative committee, the organization "shall act to liaise and work as a bridge between various sectors of the community and the (basic law) drafting committee, as well as to serve as an important channel to reflect views and suggestions on the basic law."

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PRC INTERNATIONAL AFFAIRS  
SOUTHEAST ASIA & PACIFIC

'BRISK TRADE' ON SINO-BURMESE BORDER

BK021426 Beijing International Service in Burmese 1130 CMT 2 Mar 86

[Text] Trade is brisk and expanding on the Sino-Burmese border. Since the beginning of last year, more than 70 markets have been opened in over 10 districts, such as Shweli and (Wanding), at the Yunnan border.

Last year, the Yunnan Provisional Government established more than 170 government- and collective-owned trading centers. It has been learned that trade last year amounted to 260 million in Chinese currency [as heard] which is 100 million more than the previous year.

THAI CULTURAL DELEGATION ENDS CHINA VISIT

OW011116 Beijing XINHUA in English 1031 GMT 1 Mar 86

[Text] Kunming, March 1 (XINHUA) -- A Thai Government cultural delegation left here for home today after a two-week visit to China. Thai Minister of Education Chuan Likphai praised China for its efforts in preserving ethnic culture and customs and protecting cultural and historical relics. "I am deeply impressed by the importance the Chinese Government has attached to ethnic cultural undertakings," he said after touring Beijing, Tibet, Chengdu and Kunming, capital of Yunnan Province.

The nine-member delegation headed by Chuan Likphai arrived here February 21. They toured the provincial museum, a botanical research institute, the Southeast Asia Studies Institute and the famous stone forest and western mountain scenic spots. The visitors also visited the Xishuangbanna Prefecture inhabited by Dai people. Keenly interested in what they had seen, Chuan Likphai said that China deserved worldwide appreciation for preserving ethnic culture and customs.

Yunnan Governor He Zhiqiang met and hosted a dinner in honor of the Thai visitors yesterday.

AUSTRALIA EXPLORES NORTHERN HAINAN FOR OIL

OW280926 Beijing XINHUA in English 0912 GMT 28 Feb 86

[Text] Guangzhou, February 28 (XINHUA) -- Vehicles carrying Chinese and foreign prospectors looking for oil and trucks noisily shuttling equipment and water to exploration sites have stirred up once sleepy northern Hainan Island. Authorities on the island, near the south China coast, said today the first Sino-foreign on-shore oil search officially opened Friday. Covering more than 2,000 square kilometers, the exploration is a joint venture of the Hainan branch of the China National Oil Development Corporation and CSR Orient Oil Petroleum, Ltd., of Australia.

Hainan officials said they expected the first prospecting well to be completed by December and the exploration project to take about five years.

SINGAPORE SENDS MORE INDUSTRIAL EQUIPMENT TO PRC

HK280836 Hong Kong AFP in English 0645 GMT 28 Feb 86

[Text] Singapore, Feb 28 (AFP) -- Singapore traders are now selling more industrial equipment to China and are moving away from their traditional role as suppliers of low-value products and commodities, reports here said Friday. According to the information supplied by the Statistics Department, during the first 10 months of last year the share of industrial equipment exports to China accounted for 26 percent of the total trade. In 1984 the export of industrial equipment to China accounted for only 14 percent of the total trade.

In the first 10 months of 1985 China bought about 75 million U.S. worth of equipment compared to about 32 million U.S. for the whole of 1984. Business circles here attributed the rise in Singapore's exports of industrial equipment to China to that country's modernization plan. They said with China adopting an "open-door policy" in a determined effort to upgrade its industries and factories, there was a demand for the latest machinery and equipment. They said the increasing contacts between the businessmen of the two countries and the number of trade missions from China visiting Singapore was one of the major contributors in this new trading pattern.

NHAN DAN URGES MEASURES TO CONTROL MARKETS

OW021733 Beijing XINHUA in English 1513 GMT 2 Mar 86

[Text] Hanoi, March 2 (XINHUA) -- Urgent measures should be taken to control increasingly confused markets and soaring prices in Vietnam, the official newspaper NHAN DAN said in an editorial yesterday. The editorial admitted that the country faces some "severe" economic and social problems, for which the Politburo of the Vietnamese Communist Party and the government have made "serious self-criticism." Leadership at various levels and in various departments as well as every official and party member should follow suit and acknowledge their own responsibilities and defects, the editorial added.

Apart from skyrocketing prices and confused markets, the problems listed in the editorial also include passivity and helplessness of state-owned commercial departments and difficulties in production, circulation and people's daily life. The editorial claimed that the country's reform measures on price, wage and currency were correct and the problems were caused by "subjectivity, impetuosity and oversimplification" in implementing and directing these measures. It was reported that the prices of staple foods such as rice, pork, fish sauce and vegetables have risen several times in markets here recently. Consequently, the real income of the working people is decreasing rapidly, newspapers here said.

A local newspaper announced yesterday that "in order to alleviate the hardship for workers and staff members, the Hanoi Municipal Government has decided to resume the rationing of pork, sugar and fish sauce."

SRV DENIES DETAINING OF U.S. WAR PRISONERS

OW011655 Beijing XINHUA in English 1601 GMT 1 Mar 86

[Text] Hanoi, March 1 (XINHUA) -- Hanoi reiterated today that it has detained no U.S. captives from the Vietnam war and that is ready to conduct investigation if the U.S. side provides relevant information. In a commentary today, Hanoi's official organ NHAN DAN criticized Assistant Defense Secretary R. Armitage and other U.S. officials who, according to the commentary, had said that the U.S. Government had received an increasing number of reports about living American soldiers now in Indochina.

Meanwhile, some American politicians were quoted as having said that the U.S. Government should resort to military force when necessary to save the American prisoners of war still held in Indochina. The commentary denounced these remarks as "irresponsible" and "very erroneous." It said that according to the agreement reached between the United States and Vietnam, a number of American official delegations have come to discuss and negotiate with Vietnam the issue of American personnel missing in action (MIA).

Thanks to cooperation between the two sides, the commentary noted, the negotiations have yielded results. Search for the MIA has been carried out smoothly and Vietnam has turned over a number of MIA's remains to the United States.

However, the commentary warned that the "irresponsible" words of the American officials may hinder the process of searching for the remains of the MIA and "postpone the settlement of the MIA issue." Observers here noted that the commentary made it clear that Hanoi was annoyed by Washington's frequent reference to the living American prisoners of war. However, they believed that although the commentary is strongly worded, the talks between the United States and Vietnam on the MIA issue will continue in the future as this is an important channel for Hanoi to get in touch with Washington.

#### USSR EXPERTS ASSIST IN LAO MISSILE PROJECT

OW030830 Beijing XINHUA in English 0817 GMT 3 Mar 86

[Text] Bangkok, March 3 (XINHUA) -- The Soviet Union has recently sent ten experts to help Laos set up a missile and explosive training center. The ten Soviet missile and explosive experts work in Seno City, Savannakhet Province, to help the fourth division of the Lao army to establish such a center, a local Thai-language newspaper today quoted senior officials of the Supreme Command of the Thai Armed Forces as saying. The report said that most of Moscow's aid to Laos and the Phnom Penh regime was formerly delivered through Vietnam. Now the Soviets are seeking ways to provide them with the aid directly.

#### MALAYSIAN DEPUTY PRIME MINISTER MUSA RESIGNS

OW282038 Beijing XINHUA in English 1555 GMT 28 Feb 86

[Text] Hong Kong, February 28 (XINHUA) -- Malaysian Deputy Prime Minister Musa Hitam has stated that he has to resign because he is no longer trusted, the Malaysian News Agency BERNAMA reported today. The statements by several party leaders regarding "certain people" attempting to disrupt and topple the government and tarnish the good name of the prime minister, which Musa believed referred to him, have upset him greatly, the report said quoting certain sources.

The reasons are contained in his seven-page resignation letter handed over to Prime Minister Mahathir Mohammad on February 28. Musa left for Mecca to perform a pilgrimage on that day. It is not known whether Mahathir has accepted or rejected Musa's resignation from the cabinet.

Musa, 51, is also resigning from his posts of Home Minister and Deputy President of the United Malays National Organization (UMNO), dominant partner of the ruling Barisan National Coalition. The UMNO Supreme Council, the highest policy making body of the party, met tonight and is expected to decide whether to accept or reject Musa's resignation.

#### FURTHER DEVELOPMENTS ON PHILIPPINE SITUATION

##### Economic Activities Back to Normal

OW011810 Beijing XINHUA in English 1651 GMT 1 Mar 86

[Text] Manila, March 1 (XINHUA) -- Economic activities in the Philippines have returned to normal, the PHILIPPINE NEWS AGENCY reported today.

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SOUTHEAST ASIA & PACIFIC

The stock market in Metro Manila has come back to life after a two-day hibernation since the new administration assumed power on February 26. Traders at the two stock exchanges here were in buoyant mood as trading became brisk and investors regained their confidence. Businessmen returning to work the next day after the new administration took over, are confident that their companies would recover from the economic quagmire. The peso also strengthened, with the exchange rate going up to 21.98 for one U.S. dollar from last week's average of 24.

Foreign importers from the United States, Japan, European Economic Community countries and others have resumed business with local manufacturers and exporters, according to the Foreign Buyers' Association of the Philippines. The importers, who in the past three years demanded that local exporters meet them in Hong Kong for negotiations, are now eager to enter the country and conduct business here, said President Vicente Agustin of the Buyers' Association.

Foreign buyers also started streaming into the Philippines after news of former President Ferdinand Marcos' exile was flashed around the world.

#### Reagan's Message to Aquino

HK020608 Beijing International Service in Tagalog 1130 GMT 1 Mar 86

[Text] In Washington, U.S. President Ronald Reagan sent a message to the new president of the Philippines Corazon Aquino, that the United States welcomes the democratic results of the recent election. Reagan said the United States is prepared to help the new Philippine Government so as to benefit the welfare of the Filipinos. He added that the nation faces many difficult tasks and the United States is ready to help in any way. A White House spokesman said that Reagan also assured Mrs Aquino that the United States supports all efforts to upgrade the economy and the military establishment in the Philippines.

Meanwhile, during a hearing of the Foreign Relations Committee of the U.S. Congress, Peter McPherson, chairman of the U.S. Agency for International Development has asked the U.S. Congress to grant the Philippines a \$1 billion loan so that the nation can get back on its feet again.

#### Aquino on Economy, U.S. Bases

HK020606 Beijing International Service in Tagalog 1130 GMT 1 Mar 86

[Text] President Corazon Aquino says that the Philippine political situation is steadily being stabilized. During an interview with American television newsmen day before yesterday, she added that the country faces grave economic problems but she hopes that American banks will give preferential treatment to the \$6 billion loan for the Philippines so as to assist the country's economy. She also expressed hope that the United States will grant the Philippines food and agriculture aid.

Regarding the U.S. military bases in the Philippines, Cory Aquino said she will honor the military treaty signed by both countries which expires in 1991. After that her main priority is the welfare of the Philippine nation, she said.

Yesterday President Aquino also ordered the immediate release of all political prisoners. This was announced by presidential spokesman Rene Saguisag during a press conference yesterday afternoon at Mrs Aquino's headquarters. Saguisag said a memorandum from Mrs Aquino ordered the release of political prisoners. The first batch to be released numbered 39.

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SOUTH ASIA

F 1

MORE SOVIET TROOPS SENT TO AFGHANISTAN

OW020920 Beijing XINHUA in English 0851 GMT 2 Mar 86

[Text] Islamabad, March 2 (XINHUA) -- More Soviet combat troops have been sent to Afghanistan to deal with the Afghan mujahidin (holy war fighters) in northern provinces of Konduz, Badakhshan, Takhar, Samangan and Balkh said an Afghan guerrilla commander here today. In an exclusive interview with XINHUA, Abdur Rahman, who came three months ago from Konduz Province bordering the Soviet Union, also revealed that the military and food supplies for the Soviet troops in the border districts of the northern Afghan provinces were all airlifted by Soviet frontier forces from across the border.

Rahman, aged 42, led a 250-man strong guerrilla force in his district of Imam Sahib, close to the Amu River, a natural boundary between Afghanistan and the Soviet Union. He said since the Soviet invasion of Afghanistan in 1979 he has commanded over 150 battles with some taken place inside Konduz City, the provincial capital. A total of 15,000 Soviet troops are stationed in Qonduz City and at its airport, the guerrilla commander said. The guerrilla operations, he claimed, have inflicted 500 casualties on the Soviet-Karmal troops in his district over the past six years. Three helicopter gunships have been shot down, a number of tanks, trucks, jeeps and army vehicles wrecked by the guerrillas.

The commander said 16 guerrilla fighters have lost their lives and 80 more injured during the fighting. However, the mujahidin are carrying on their resistance in high morale. Konduz Province, he said, used to be a granary supplying wheat and rice for other provinces. But, the Soviet troops usually launched attacks in the harvest season. They burnt 40 percent of the reaped wheat every year. Last year, they set afire some 70 tons of grain in Imam Sahib District.

'KARMAL TROOPS' SHELL PAKISTANI TERRITORY

OW021856 Beijing XINHUA in English 1846 GMT 2 Mar 86

[Text] Islamabad, March 2 (XINHUA) -- Pakistan today lodged a strong protest with the Kabul regime against the killing of a Pakistan soldier during its shelling of the Shilman area in Khyber Agency, Northwest Frontier Province.

According to an official press release, the Karmal troops on February 28 fired 15 rounds of artillery at Pakistan territory, resulting in the death of the soldier of the Khyber rifles. The Afghan chargé d'affaires was summoned to the Pakistan Foreign Ministry this morning and asked to inform his authorities that if such attacks do not cease, the entire responsibility for the serious consequences would rest with the Kabul authorities.

AFGHAN RESISTANCE ATTACKS USSR-KARMAL TROOPS

OW030844 Beijing XINHUA in English 0736 GMT 3 Mar 86

[Text] Islamabad, March 3 (XINHUA) -- Afghan resistance forces have recently launched a number of attacks on the military targets of the Soviet-Karmal troops in different provinces, according to AGENCY AFGHAN PRESS (AAP) today.

On February 15, the guerrillas unleashed an attack on an important army camp of the Soviet troops at Samar Khel, 18 kilometres from Jalalabad, capital of eastern province of Nangarhar. Several Soviet troops were killed and 13 missiles destroyed. On the same day, the Karmal army's divisional headquarters and Jalalabad airport came under long-range rocket attacks by the guerrillas. Their casualties were not known. A helicopter, one tank and four trucks at the airport were destroyed or damaged.

On February 13, the resistance forces in Paktia Province killed a Soviet military adviser and two Karmal troops when they raided a security post near Gardeyz, the provincial capital. Eight Karmal troops joined the Muslim force. On February 22, four, MG bombers bombed guerrilla positions close to Arghandab town in Southern province of Qandahar, wounding 11 guerrillas and destroying several houses in surrounding areas. One MG plane was shot down by anti-aircraft fire with the pilot and crew killed on the spot. In western province of Farah, the Afghan resistance forces succeeded in frustrating a mopping-up operation by the Soviet-Karmal troops in Sharafat Koh District on February 12. After a four-day fierce fighting, the guerrilla forces repelled the invaders, damaged lots of equipment and captured 14 Soviets and 13 Karmal troops.

CHINESE BOOK EXHIBITION OPENS IN SRI LANKA

OW282042 Beijing XINHUA in English 1831 GMT 28 Feb 86

[Text] Colombo, Febraury 28 (XINHUA) -- A Chinese book and art exhibition, first of its kind ever held in Sri Lanka, opened here this evening. Over 800 kinds of books in Chinese, English, Sinhalese and Tamil, as well as arts, crafts and painting works were on display. The books covered wide-ranging fields including culture, politics, economy, medicine, sports, tourism and children's pictorials.

The exhibition was organized by Aruna Prakasakayo (book shop), which acts as a commission agent to sell Chinese books in Sri Lanka for over 20 years. China and Sri Lanka have long tradition in exchange of books. About two dozens of Chinese children pictorials have been published in Sinhalese.

In his opening address, acting minister of education S. Weerawanni highly appraised the quality and content of Chinese books in popularizing Chinese culture to the world. He said Chinese children books, which have been selected and used as supplementary reading materials in Sri Lankan primary schools, have played an active role in primary school education in Sri Lanka.

SOUTH KOREAN 'PRIME MINISTER' IN NEW DELHI

OW021942 Beijing XINHUA in English 1926 GMT 2 Mar 86

[Text] New Delhi, March 2 (XINHUA) -- South Korean "Prime Minister" No Sin-Yong arrived here tonight on a three day official visit for talks with Indian Prime Minister Rajiv Gandhi on bilateral economic and trade relations. According to informed sources, a protocol for bilateral scientific and technological cooperation is likely to be signed during No's stay here. No is accompanied by a 30-member economic delegation representing most of leading South Korean industrial groups.

The sources said that prospects of more joint ventures in electronics and automobile industries will also be discussed. India and South Korea have entered into 14 joint ventures and 53 more proposals for such collaboration have been put forward by Seoul. Nuclear fuel is another area in which the two sides will begin their cooperation, the sources said. Two-way trade between the two parties, which reached about 1.4 billion U.S. dollars in 1984, reached by half last year, with India continuing to suffer a heavy deficit in the balance.

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PRC INTERNATIONAL AFFAIRS  
WESTERN EUROPE

G 1

TIAN JIYUN MEETS TURKISH STATE PLANNING GROUP

OW011120 Beijing XINHUA in English 1107 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA) -- Chinese Vice-Premier Tian Jiyun met with Yusuf Ozal, head of the State Planning Organization of the Republic of Turkey, and his party here this afternoon.

During their three-day stay in Beijing, the Turkish visitors met with leading members of the State Planning Commission, the State Economic Commission, and the Ministry of Foreign Economic Relations and Trade. They will leave Beijing tomorrow for a tour of Shanghai, Guangzhou and the Shenzhen Special Economic Zone.

NORWEGIAN FOREIGN MINISTER CONCLUDES VISIT

OW281624 Beijing XINHUA in English 1431 GMT 28 Feb 86

[Text] Guangzhou, February 28 (XINHUA) -- Norwegian Foreign Minister Svenn Stray and his party left here today for Hong Kong at the end of their visit to China. Stray and his party arrived here last Wednesday evening from Xi'an. They were honored at a dinner given by Yang Li, vice governor of Guangdong Province, yesterday evening. They visited scenic spots and factories during their stay here.

ZHAO ZIYANG SENDS CONDOLENCES ON PALME DEATH

OW011200 Beijing XINHUA in English 1144 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA) -- Chinese Premier Zhao Ziyang today sent a message of condolences to Ingvar Carlsson, deputy prime minister of the royal Swedish Government, on the death of Prime Minister Olof Palme. Premier Zhao said in his message that he was "deeply shocked to learn the grievous news of the tragic assassination of Prime Minister Olof Palme." On behalf of the Chinese Government and people, he said, "I wish to express our profound condolences to the Swedish Government and people and to convey, in my own name, sincere sympathies to the bereaved family."

He praised Palme as "a renowned international activist who made positive contributions in his life time to the cause of maintaining world peace and the development of friendly relations between China and Sweden."

National Alert in Sweden

OW011130 Beijing XINHUA in English 1102 GMT 1 Mar 86

[Text] Beijing, March 1 (XINHUA) -- The Swedish police declared a national alert in search for the killer or killers of Prime Minister Olof Palme who died at the Sabbatsberg Hospital in Stockholm last night, according to reports reaching here today. The suspected killer is described as "a dark haired man aged 35-40 in a long dark overcoat." Police questioned about 10 people on the street where Palme was slain. "We don't know whether it was one or several persons who shot the prime minister and we have no descriptions of their looks," a Stockholm police superintendent said.

Police reinforced patrols at airports, ferry stations and all border crossings and set up checkpoints at city exits, and stopping cars to look for suspects. Vice Premier Ingvar Carlsson, who has become acting prime minister, has called leading government officials to an emergency meeting. He said the cabinet will be dissolved. King Carl XVI Gustaf has cut short a skiing vacation in northern Sweden. The whole country is plunged into mourning. The Swedish radio suspended its regular program to play somber classical music.

Palme and his wife had been at a movie premier in the capital and had only walked a few blocks away from the movie house when the attack occurred. He was shot at least twice in the chest and abdomen. Palme, 59, was serving his second term as prime minister. Also chairman of the Social Democratic Party, he entered Parliament in 1956 and served in a variety of cabinet posts. He was prime minister between 1969 and 1976. Known for his active participation in international politics, Palme's assassination has shocked the whole world.

SHANGHAI MAYOR MEETS ITALIAN DELEGATION

OW281312 Shanghai City Service in Mandarin 0100 GMT 27 Feb 86

[Text] Mayor Jiang Zemin yesterday afternoon met Ruggiero, director general of the Italian Ministry of Foreign Affairs, and his party. Both sides exchanged views on strengthening scientific and technological cooperation and cultural exchanges between Shanghai and Italy. The Italian friends also visited the Baoshan Iron and Steel Complex and the Shanghai Tractor Plant during their stay.

FRG MINISTER ON NEW EUROPEAN DEFENSE SYSTEM

OW021120 Beijing XINHUA in English 1030 GMT 2 Mar 86

[Text] Bonn, March 1 (XINHUA) -- Defense Minister Manfred Woerner today called for the setting up of a West European non-nuclear defense system to counter the Soviet Union's missiles carrying conventional warheads. Woerner made the proposal in Munich at the opening session of an annual seminar on international defense attended by 150 high-ranking defense officials, diplomats and scholars from the United States, Britain, West Germany and other Western countries.

The defense minister said that the Soviet Union is equipping its short-range and medium-range rockets with conventional warheads and this is posing a new threat to West Europe. To safeguard the interests of the Western allies, especially those of the West European countries, Woerner said it is necessary to prevent these missiles from becoming a new means with which Moscow can threaten, or exert political pressure on, the Western countries. Woerner also called for an expansion of European air defense, adding that the conventional part of the "trinity strategy" -- a strategy involving conventional weapons and tactic and strategic nuclear forces -- has become increasingly significant.

Spanish Defense Minister Narciso Serra today also told participants in the seminar, which discussed the relationship between high technologies and defense, that Europe should adopt a program for jointly developing defense technologies. He said the credibility of the European deterrent strategy is based on the development of high technology and that European countries should strengthen technological exchanges among themselves and with the North American allies.

U.S. scientist Edward Teller today applauded Woerner's proposal, saying that the U.S. Government was also pondering how to counter what he called the threat of Soviet conventional missiles. However, Horst Ehmke, vice chairman of the Parliamentary Group of the Social Democratic Party, a major opposition party of Federal Germany, said the proposed European defense system is as questionable as the U.S. Strategic Defense Initiative (SDI). Ehmke told the AFP outside the meeting room that security issues cannot be settled through East-West confrontation but through the cooperation of both sides, and strategic stability can be established only if the arms race, either conventional or nuclear, is stopped. The 23rd seminar on defense knowledge was sponsored by the Association of Defense Knowledge of Federal Germany.

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CHINA  
PRC NATIONAL AFFAIRS

K 1

FRIENDSHIP OFFICIAL ZHOU ERFU EXPELLED FROM CPC

OW031012 Beijing XINHUA Domestic Service in Chinese 0734 GMT 3 Mar 86

[Text] Beijing, 3 Mar (XINHUA) -- Pursuant to a decision of the Central Discipline Inspection Commission, Zhou Erfu, vice president of the Chinese People's Association for Friendship With Foreign Countries [CPAFFC], has been expelled from the party for his grave violation of discipline in foreign activities and acts detrimental to national and personal integrity during his visit to Japan as head of a CPAFFC delegation from 20 October to 12 November last year.

During the delegation's visit to Japan, ignoring our government's solemn and just stand and against the advice of others, Zhou Erfu, head of the delegation, a ranking cadre, and a party member for many years, presumptuously visited Japan's Yasukuni Shrine, where Japanese war criminals are worshipped, thus damaging our national integrity and harming our country's dignity. His arrogance and rudeness toward Japanese friendship organizations damaged that friendship. His lifestyle seriously corrupted the morality of a Communist Party member and exerted extremely bad influences. His mistakes were grave and made him unworthy as a Communist Party member. To enforce party discipline, the Central Discipline Inspection Commission made the above decision. It was learned that the relevant responsible departments have removed Zhou Erfu as vice president of the CPAFFC. He was also removed by the Ministry of Culture as vice chairman of the Ministry's Committee for Cultural Exchange With Foreign Countries.

LEADING CADRES URGED TO OBEY, UPHOLD LAWS

HK021004 Beijing ZHONGGUO XINWEN SHE in Chinese 0257 GMT 1 Mar 86

[Text] Beijing, 1 Mar (ZHONGGUO XINWEN SHE) -- The edition of HONGQI published today carries a "Forum" article stressing that it is essential to resolutely uphold the solemnity of the law, truly succeed in obeying the law, prosecuting violators, and strictly enforcing the law, and make full use of the weapon of the law to crack down on criminals engaged in serious economic and other crimes.

The magazine, which is sponsored by the CPC Central Committee, says that in strengthening the building of the legal system it is necessary to pay attention to legislation and ensure that there are laws to obey, and that it is also necessary to pay attention to enforcing the law and ensuring that the law is obeyed. When a law has been framed, it must be resolutely put into effect and strictly enforced, playing its full part. An important reason for the failure to crack down effectively on criminal activities some time ago, and especially on speculation and swindling, smuggling and peddling contraband, engaging in bribery and corruption, and peddling and showing pornographic videotapes and so on, was not because there was no law to follow but because existing laws were not strictly followed and enforced.

The article criticizes certain leading cadres for not understanding or obeying the law. It says: When handling major and important cases and cracking down on serious economic crimes, certain political and legal cadres feel that these cases are difficult to deal with and judge. They are difficult because certain leading cadres do not understand or obey the law. There is a problem of substituting people and powers for the law. Certain leading cadres who randomly desire power and prestige, openly ignore the authority and dignity of the law, and trample the law underfoot; others, who have violated the law by abusing their powers, take advantage of those powers to contend with the law and interfere with and hinder the investigations and judgments of the political and legal departments. Party discipline and state law prohibit such behavior.

The article says that all cadres, including the leading cadres at all levels, only have the power to act according to the law, and they do not have special rights allowing them to ride roughshod over the state laws. That "the party must carry out its activities within the framework of party law and the law" is an important principle written into the party Constitution. From the Central Committee down to the grass roots, all party organizations and members must, without exception, strictly obey the law.

DISCIPLINE INSPECTION OFFICIAL INSTRUCTS CADRES

HK021350 Beijing ZHONGGUO XINWEN SHE in Chinese 0701 GMT 1 Mar 86

[Text] Beijing, 1 Mar (ZHONGGUO XINWEN SHE) -- Qiang Xiaochu, secretary of the Central Discipline Inspection Commission, has demanded that discipline inspection cadres faithfully discharge their duties, dare to tackle tough problems and to touch the tiger's buttocks, ignore private feelings, be impartial and incorruptible in their dealings, and be strong sentries guarding party rules and discipline.

The issue of HONGOI published today carries an article by Qiang Xiaochu, which says that it is essential to have a strong sense of urgency and unwavering resolve in straightening out current serious unhealthy trends. The most urgent task is to concentrate forces for investigating and dealing with major and important cases. In the coming period we must get a good grasp of dealing with a number of typical cases that have done great harm and had great impact, and make them public to the masses, so as to achieve the result of striking one to warn a hundred, educating the masses, frightening bad people, promoting unrighteousness, and crushing malpractices. The discipline inspection departments at all levels must arrange the major and important cases in their own departments and systems in order of priority, determine the focal points and the most important cases, and handle them in order of importance. It is necessary to map out responsibility systems regarding major and important cases that have already been determined, get a relentless grasp of them, resist "intercessions," break down the "networks of relationships," clear away all interference, and grasp the work through to the end. We must certainly not permit the practice of making a fine start and a poor finish; still less can we delay things and miss the chance.

The article demands that leaders at all levels grasp the problem of "the trend of running business," which has aroused strong reaction among the masses. We must take stock of and sort out the companies and "centers" organized by our units and systems over the past year and more, and halt their operations, amalgamate, or abolish them, as appropriate. We must certainly not allow those "briefcase companies" without either capital or commodities to engage in illegal activities such as speculation, bribery and corruption, profiteering, and swindling.

Qiang Xiaochu makes a particular point of warning sons and daughters of senior cadres who quit their jobs to run business: they must consciously avoid taking part in this type of commercial activity, because profound enough already are the painful lessons of being cheated and taken advantage of by others in this respect, to the point of consciously or unconsciously wallowing in the mire and falling into the hands of the law with them! This has a bad impact on the party's prestige and on the reputation of the older generation of revolutionaries, including their own parents.

The article strongly criticizes a few leading cadres who abuse their power for private purposes. Why are there so many malpractices in certain units and systems, and why do they drag on without being resolved or put right? A very important reason is that "the upper beams are not straight" there. How can malpractices in the lower levels be stopped if the leading cadres of a unit are blinded by greed, "look for money everywhere," and forget all principles when they scent profit?

Qiang Xiaochu holds that previous practices of acting too softly and leniently in questions of enforcing law and discipline and the phenomena of dealing out excessively light punishments in certain cases and on certain individuals has resulted in a few lawbreakers becoming audacious in the extreme, committing crime after crime, uprightness thus cannot be promoted, and malpractices cannot be arrested.

The article stresses that the party's discipline inspection organs are the law enforcement agencies within the party. We must faithfully carry out our sacred duty, persistently prosecute violations of discipline and law, and be strict in enforcing discipline and law, no matter which unit, area, or person it is that violates law and discipline, apart from acting with impartiality in dealing with the matter according to law, it is also necessary to hold accountable the party committee of that unit, including the discipline inspection commission. Only thus can we curb unhealthy trends and preserve and develop a political situation of stability and unity, enabling our country to enjoy a long period of peace.

#### 1985 ECONOMIC, SOCIAL STATISTICS RELEASED

OW012100 Beijing XINHUA Domestic Service in Chinese 0819 GMT 28 Feb 86

["Communiqué of the State Statistical Bureau, of the People's Republic of China Concerning Fulfillment of the 1985 Economic and Social Development Plan" -- 28 February 1986]

[Text] Beijing, 28 Feb (XINHUA) -- The people of all nationalities in China, under the leadership of the CPC and the people's government, continued in 1985 to earnestly implement the principles of invigorating the domestic economy and opening the country to the outside world, deepening economic structural reform, thereby vigorously developing the national economy. The total product of society (Footnote 1) (Total product of society is the sum of the total output value of agriculture, industry, the building trade, communications and transportation, and commerce, including the supply and marketing of materials and equipment and the catering trade; national income is the sum of the net output value of the five above-mentioned material producing departments) came to 1,624.2 billion yuan, 16.2 percent higher than in 1984. Of the sum, the total output value of industry and agriculture was 1,326.9 billion yuan, 16.4 percent above the previous year. National income reached 676.5 billion yuan, up 12.3 percent from 1984. Along with the growth of production, the market was brisk, financial revenues and expenditures were balanced, and the income of urban and rural residents increased. According to preliminary estimates, the gross value of domestic production (Footnote 2) (Gross value of domestic production is the final value of products and labor service provided by material and non-material production departments for society, excluding the value of products and labor service consumed during production) was 778 billion yuan, an increase of 12.5 percent over 1984. The major problem in national economic development was the total demand of society exceeding the total supply of society, as seen from the excessive investment on fixed assets, people's purchasing power being greater than commodity supply, drastic increase of imports, and commodity price rises.

#### 1. Agriculture

In 1985, China took a major step forward in reforming the unified or fixed state purchase of farm produce and readjusting the structure of agricultural production in rural areas, thereby enabling the rural economic to continue to develop in all fields. The total production of rural society (Footnote 3) (Total production of rural society is the sum of the total output value of agriculture, and industry, the building trade, transportation, and commerce run by collectives and individuals in rural areas) was 619.5 billion yuan, 15.6 percent higher than in 1984. Of this, the total output value of industry, building trade, transportation, and commerce increased by 37.4 percent, and its ratio to the sum rose from 36.5 percent of the previous year to 42.3 percent.

The total output value of agriculture was 451 billion yuan (including industry run by villages), up 13 percent from 1984, exceeding the planned target of 6 percent growth. Of this, the proportion of forestry, animal husbandry, fishery, and sideline production increased from 42.1 percent in 1984 to 49.9 percent. If the output value of village industry is deducted from this sum, the figure is 357.5 billion yuan, 3 percent more than the previous year.

There was a relatively big readjustment in the structure of crop cultivation. The total grain output was 378.98 million tons, a drop of 28.33 million tons from the previous year as a result of a decrease in the acreage of grain crops by some 4.4 million hectares plus natural calamities and a relaxation of efforts in grain production in some localities. The output of major cash crops increased by large margins, except for cotton, which recorded a decrease in output due to a decrease in the acreage of cotton crops. The output of major farm products were as follows:

	1985	Increase over 1984 (percent)
grain	378,980,000 tons	-7.0
cotton	4,150,000 tons	-33.7
oil-bearing crops	15,780,000 tons	32.5
sugarcane	51,470,000 tons	30.2
beetroot	8,910,000 tons	7.6
jute, ambari hemp	3,400,000 tons	128.1
flue-cured tobacco	2,080,000 tons	34.5
silkworm cocoons	370,000 tons	4.8
tea	440,000 tons	6.0

Further implementation of the forestry policy harnessed the enthusiasm of the masses in planting trees and managing and protecting forested zones. The output of such forestry products as tea-oil seeds and tung-oil seeds increased, while the output of rubber basically remained the same as that of the previous year.

Animal husbandry continued to develop. Increases were registered in the output of pork, beef, mutton, milk, poultry, and eggs, as well as in the numbers of large animals and pigs in stock at year end. However, the number of sheep in stock at year end dropped. Output of major animal by-products and numbers of livestock areas follows:

	1985	Increase over 1984 (percent)
output of pork, beef, and mutton	17,550,000 tons	13.9
milk	2,500,000 tons	14.2
sheep wool and goat hair	180,000 tons	-3.3
hogs slaughtered	238,950,000 head	8.4
large animals at year end	113,820,000 head	5.0
pigs at year end	331,480,000 head	8.0
sheep and goats at year end	156,160,000 head	-1.4

Fishery production continued to grow. The output of aquatic products was 6.97 million tons, up 12.5 percent from 1984. Of this, the total catch of freshwater products increased by 25.1 percent, while marine products rose by 5.3 percent.

The number of farm machines owned by peasants and the total consumption of electricity in rural areas continued to increase. At the end of 1985, the aggregate power capacity of China's farm machines had reached 284 million horsepower, a 7.1 percent increase over 1984.

The number of large and medium-sized tractors was 864,000, an increase of 1.2 percent over 1984; small-capacity and walking tractors, 3.81 million, an increase of 15.4 percent; trucks, 427,000, an increase of 22.3 percent; and irrigation and drainage equipment, 78,500,000 horsepower, the same as in 1984. A total of 17,760,000 tons of chemical fertilizers were applied during the year, an increase of 2.1 percent. The total consumption of electricity in rural areas was 51.2 billion kwh, an increase of 10.3 percent over 1984.

The nation's meteorologists improved their weather forecast work. Their relatively prompt and accurate forecasts on natural disasters in various localities minimized losses incurred by adverse weather and raised the social benefit of meteorological work.

## 2. Industry

In 1985, industrial structural reform advanced steadily, enterprises were further invigorated, and industrial production witnessed a sustained and balanced growth. The total industrial output value was 875.9 billion yuan, an increase of 18 percent over 1984, a pace which exceeded the planned growth target of 8 percent. When added to the output value of industry run by villages, the total figure would be 969.4 billion yuan, a 21.4 percent increase over 1984. Of the total, the output value of state-owned industry increased 12.9 percent over the previous year, collectively owned industry grew by 30.9 percent, industry run by individuals rose by 150 percent, and industry under other kinds of ownership expanded its output value by 39.5 percent. The output of 82 of the 100 major industrial products met or topped state plans. The remaining 18 products that did not meet state plans -- including phosphate fertilizer, sulphuric acid, iron pyrites, chemical pesticides, and electronic calculators -- were mostly products in short supply.

The total output value of light industry in 1985 was 408.9 billion yuan, a 18.1 percent increase over 1984. The variety of light industrial products increased, and the output of medium and high grade products increased by big margins. However, supply of a number of fine quality products still could not meet the demand. The output of major light industrial products were as follows:

	1985	increase over 1984 (percent)
cotton yarn	3,510,000 tons	9.1
cloth	14.3 billion meters	4.2
wool fabrics	210 million meters	16.8
machine-made paper and paper board	8,260,000 tons	9.3
sugar	4,450,000 tons	17.1
cigarettes	23.51 million boxes	10.3
chemical pharmaceuticals	57,000 tons	9.6
bicycles	32,350,000	13.0
sewing machines	9,860,000	9.8
wrist watches	41,730,000	9.6
tv sets	16,220,000	61.6
of which color sets	4,100,000	206.0
cassette recorders	12,710,000	63.7
cameras	1,800,000	42.4
household washing machines	8,830,000	52.8
household refrigerators	1,390,000	154.0

The 1985 heavy industrial output value was 467 billion yuan, up 17.9 percent from 1984. Primary energy output was equivalent to 839 million tons of standard coal, an increase of 7.8 percent over the previous year. However, the strains on power and raw and semi-finished material supply remained.

The output of major heavy industrial products were as follows:

	1985	increase over 1984 (percent)
coal	850 million metric tons	7.7
crude oil	125 million metric tons	8.9
electricity	407.3 billion kwh	8.0
of which hydroelectricity	91 billion kwh	4.8
steel	46.66 million metric tons	7.3
rolled steel	36.79 million metric tons	9.1
timber	63.1 million cubic meters	-1.2
cement	142.46 million metric tons	15.3
sulfuric acid	6.69 million metric tons	-18.2
soda ash	2 million metric tons	6.5
chemical fertilizers	13.35 million metric tons	-8.6
chemical insecticides	205,000 metric tons	-31.3
power-generating equipment	5.61 million kw	20.1
machine tools	155,000	15.7
motor vehicles	439,000	38.7
tractors (over 20 hp)	44,600	12.3
locomotives	746	13.4
steel ships for civilian use	1.66 million metric tons	0.6

Industrial economic efficiency improved. In 1985 the nation conserved energy resources totaling more than 30 million metric tons of standard coal, with an energy conservation rate of 4.7 percent. The overall productivity of state-owned industrial enterprises was 15,349 yuan, an increase of 9.4 percent over the previous year. The turnover period for circulating funds was shortened from 102 days in 1984 to 100 days in 1985. Profits and tax payments made by budgeted state-owned industrial enterprises reached 118.2 billion yuan, an increase of 14.3 percent over the previous year. However, the quality of some products worsened, while consumption increased. In a few departments and areas, enterprises suffered deeper deficits.

State-owned industrial enterprises gradually established a variety of economic responsibility systems and implemented the system of tax payments in lieu of delivery of profits to the state. In 1985, 81 percent of enterprises adopted the system of tax payments.

### 3. Transportation, Posts, and Telecommunications

The transportation industry continuously raised its shipping capacity by making reforms and tapping potentials. In 1985, the various transportation departments handled 1,666.8 billion metric ton-kms of goods, up 14.9 percent from the previous year. Of this, the railways handled 812.5 billion metric ton-kms, a 12.1 percent increase; trucks handled 35.5 billion metric ton-kms, up 0.3 percent; ships and boats handled 757.2 billion metric ton-kms, up 19.5 percent; and planes handled 415 million metric ton-kms, up 33.4 percent. The volume of oil and gas carried through pipelines was 61.2 billion metric ton-kms, up 7 percent. The volume of cargo handled at major seaports was 311 million metric tons, up 13 percent.

The gross volume of passenger transportation in 1985 was 424.8 billion person-kms, a 17.3 percent increase over 1984. Of this, the railways carried 241.6 billion person-kms, up 18.1 percent. The volume of road passenger transportation was 154.3 billion person-kms, an increase of 15.4 percent. The volume of waterway passenger transportation was 17.2 billion person-kms, up 11.7 percent, and the volume of air passenger transportation was 11.7 billion person-kms, an increase of 41 percent.

China's posts and telecommunications made greater headway. Transactions throughout China in 1985 amounted to 2.94 billion yuan, up 17.4 percent from 1984.

The number of letters handled went up 17.7 percent; newspapers and magazines distributed went up 2.2 percent; telegrams delivered went up 25.9 percent; and long-distance telephone calls were up 22 percent. The year-end number of telephone subscribers in urban areas registered a 14.4 percent increase over the previous year-end, totaling 2.19 million.

Economic results continued to improve in the transportation and posts and telecommunications departments. Per capita productivity for railway transportation was up 9.8 percent over the preceding year. The average daily productivity of each locomotive rose 4 percent, and profits made in 1985 increased by 12.3 percent over 1984. The average annual productivity per hp of tugboats in inland rivers was 7 percent more than in the preceding year. Profits made by posts and telecommunications enterprises increased by 43 percent over the preceding year. However, foreign trade ships were locked at seaports an average of 11.1 days, 2.4 days more than the 8.7-day average in the previous year. A strained situation still remains in transportation and posts and telecommunications.

#### 4. Investment in Fixed Assets

In 1985 work was further stepped up on key construction projects and on the revamping and transformation of enterprises, while progress was made in reforming the managerial system. Investment in fixed assets in the nation's urban and rural areas totaled 247.5 billion yuan, up by 64.2 billion yuan, or 35 percent, compared with the preceding year. Of this amount, 165.2 billion yuan represented fixed asset investment for units owned by the whole people and 32.7 billion yuan for collective-owned urban and rural units, while the remaining 49.6 billion yuan represented investment by individuals in urban and rural areas. Of the fixed asset investment for units owned by the whole people, capital construction investment amounted to 106.1 billion yuan, up by 31.8 billion yuan, or 42.8 percent compared with the preceding year. Investment in projects subject to evaluation [kao he bu fen 5072 2702 6752 0433] in the capital construction plan was 88.2 billion yuan, accounting for 99.3 percent of the target in the adjusted investment plan.

Of the investment in capital construction, energy industry investment was 20.1 billion yuan, a 20.6 percent increase over the preceding year, and investment in transportation, postal, and telecommunications projects was 17.6 billion yuan, up by 51.5 percent. As for the 169 key projects planned by the state based on reasonable schedules of construction periods, the amount of investment made was 22.7 billion yuan, or 101 percent of the planned target. The first-phase project of the Shanghai Baoshan Iron and Steel Complex was completed and entered the stage of trial production and evaluation. A number of key coal mines, oil wells and powerplants as well as the projects of the Jingqin railway electrification, and the Yanzhou-Shijiusuo railway, Shandong's Shijiuh harbor, and the Beijing-Hankou-Guangzhou intermediate coaxial communications cable were completed and put into operation. Capital construction investment in the four special economic zones -- namely Shenzhen, Zhuhai, Shantou, and Xiamen -- was 4 billion yuan, or 82 percent more than the preceding year. Investment in the 14 coastal cities opened to the outside amounted to 16.2 billion yuan, up 39.7 percent compared with the preceding year.

In 1985 a total of 97 large and medium-sized projects and 134 single items attached to large and medium-sized projects were completed and put into operation. These projects added the following production capacities in the main: 5.66 million kilowatts of power generating capacity; 15.13 million metric tons of coal; 17.37 million metric tons of crude oil (including the additional capacity resulting from oil field renovation and transformation and other investments); 359 kilometers of new railways put into operation; 231 kilometers of double-track railways in use; 1,103 kilometers of electrified railways; 53.62 million metric tons of port cargo handling capacity; 280,000 metric tons of machine-made sugar; 440,000 cubic meters of timber logging and transportaiton; and 1.34 million metric tons of cement.

Among these additional capacities, the increases in power generating capacity, crude oil extraction capacity, length of electrified railways, and port cargo handling capacity were the largest since the founding of the People's Republic.

Rapid progress was made in revamping and transforming existing enterprises. In 1985 the investment in revamping and transforming the units owned by the whole people and their other fixed asset investment totaled 59.1 billion yuan, an increase of 14.9 billion yuan, or 33.7 percent, over the preceding year. Of this amount, the investment in revamping and transformation projects was 43.1 billion yuan, or 119.7 percent of the planned target. In machine-building, electronics, light, and textile industries, the investment made in revamping and transformation projects already exceeded the investment in capital construction for the year. The investment in revamping and transformation projects included 21.1 billion yuan for increasing the varieties and output of products, a rise of 61.2 percent over the preceding year; and 4.4 billion yuan for conservation of energy and raw and semi-finished materials and for improving product quality, which was 19.2 percent more than the preceding year. Construction work was carried out in the year on 74,000 revamping and transforming projects, and 40,000 of them were completed and put into operation. These projects had a significant effect on the technical advance of the enterprises concerned.

Further reforms were made in the structure of the management of building industry and capital construction. In 1985, of the more than 140,000 projects constructed by state-owned building industrial enterprises, over 110,000 were built under a variety of contract responsibility systems. About 50 percent of the large and medium-sized capital construction projects were constructed under the investment contract system. Tenders were also called for to design some projects under contracts. The total output value of state-owned building industry in 1985 showed an increase of 25.4 percent over the preceding year; per capita productivity was up 22.3 percent from the preceding year; and profits recorded by budgeted building and installing enterprises were up 8.5 percent from the previous year.

Geological work registered new achievements. Geologists overfulfilled the task of verifying new reserves of 15 major minerals listed in the state plan. Newly verified reserves included 34.2 billion metric tons of coal and 580 million metric tons of iron ore. Geologists discovered and assessed a number of new oil gas fields and more than 200 metal and non-metal mine sites. Tunnelling footage completed in the year totaled 9.79 million meters.

##### 5. Domestic Trade and Materials Supply and Marketing

Business was brisk on both urban and rural markets. Total retail sales of commodities in 1985 reached 430.5 billion yuan, up 27.5 percent from the preceding year. The actual increase was 17.2 percent when inflation was factored in. Of the total retail sales, consumer goods grew 30.7 percent and farming materials and equipment increased 7.9 percent. Retail sales of principal consumer goods increased over the preceding year. Increases included grain, 5.1 percent; edible oils, 13.9 percent; pork, 7.6 percent; eggs, 20 percent; sugar, 15 percent; cotton cloth, 11.8 percent; chemical fiber cloth, 5.3 percent; knitwear, 9 percent; woolen goods, 16.2 percent; silk and satins, 19.1 percent; knitting wool, 26 percent; wristwatches, 28.8 percent; bicycles, 8.1 percent; electric fans, 100 percent; television sets, 59.9 percent; cassette tape recorders, 58.4 percent; cameras, 55.6 percent; washing machines, 69.9 percent; and refrigerators, 150 percent.

Commercial structural reforms made further advances. Commodity circulation was invigorated. By the end of 1985, the state had decontrolled 513 second-level industrial goods wholesale centers, accounting for 86.2 of those which should be decontrolled.

A total of 64,671 small state-owned enterprises in the retail business, the catering trade and other service trades were leased to collective management, turned over to the collective ownership and leased to individuals, accounting for 75.4 percent of the total number of small enterprises. The number of commodity fairs in both the cities and the countryside increased from 56,000 in the preceding year-end to 61,000 with a volume of business of 70.5 billion yuan, up 50 percent from the preceding year. Retail sales in all sectors of the economy increased by large margins. The total amount of retail sales in the public-owned sector increased 13.6 percent, while retail sales in the collective sector rose 18 percent. Sales in the individual sector went up by 110 percent; sales in other economic sectors grew 84.2 percent; and retail sales by peasants to non-agricultural residents went up 70.6 percent.

The smooth initiation of reform in commodity prices in 1985 promoted the development of commodity economy. Market prices, however, increased by large margins. The general price indices for state purchases of farm and sideline products rose an average of 8.6 percent over the preceding year; the general retail price index rose an average of 8.8 percent over 1984. Of this, the increase of retail prices of farm and sideline products and other commodities following the readjustment and decontrol caused the general level of the retail prices of commodities to rise by 5.4 percent, while other factors caused the general level of retail commodity prices to rise by 3.4 percent. The general retail price index rose an average of 12.2 percent in cities and 7 percent in rural areas. The price of fresh vegetables rose 34.5 percent; meat, poultry and eggs, 22 percent; aquatic products, 34.3 percent; fruit, 35.9 percent; grain, 10.9 percent; books, newspapers and magazines, 32.5 percent; and fuel, 4 percent. Retail prices of garments, articles of everyday use, cultural and recreational goods, and similar consumer goods rose slightly. The cost of living index for workers and staff rose an average of 11.9 percent over 1984.

The sales volume of major means of production rose generally in 1985, with coal climbing 5.3 percent, rolled steel 23.1 percent, and cement 13.7 percent. The regulatory role of the market expanded along with the gradual reform of the materials circulation structure. The number of means of production trading centers increased to 644 from 96 in the preceding year, and the amount of transactions reached 10.5 billion yuan for the whole year. The number of days for the turnover of circulating funds held by the materials departments under quota were reduced to 64 days, 4 days less than the previous year. However, contracts for the supply of certain means of production were not fully fulfilled.

## 6. External Economic Activities and Tourism

China's imports and exports grew steadily. The total amount of imports and exports in 1985 reached \$69.62 billion, a 30 percent increase over the previous year, according to customs figures. The amount includes \$27.36 billion in exports and \$42.26 billion in imports, increases of 4.7 and 54.2 over 1984.

China continued to maintain a surplus in its nontrade foreign exchange balance of payments. The 1985 nontrade foreign exchange income reached \$5.1 billion while nontrade exchange expenses totaled \$1.61 billion, showing a surplus of \$3.49 billion.

The amount of foreign capital used increased. China used \$4.3 billion in foreign capital last year, 59.3 percent more than in 1984. Of this amount, \$2.43 billion, or 88.4 percent more than in 1984, came as loans, and \$1.87 billion, or 31.7 percent more than in 1984, came as direct foreign investment or commodity credits.

New advances were made in foreign economic and technological cooperation. China signed 794 contracts worth \$1.19 billion last year for project construction and labor service cooperation overseas. Actual income in this area reached \$890 million last year, 43.5 percent more than in 1984.

Tourism further developed. A total of 17.83 million people from 164 countries or regions visited China in 1985 for sightseeing, visits, and other exchange activities, an increase of 38.8 percent over the preceding year. Income from tourism amounted to \$1.25 billion last year, an increase of 10.5 percent over 1984.

#### 7. Science, Education, and Culture

Science and technology developed along with reforms, making additional contributions to economic construction. Better economic benefits were obtained from the popularization of 40 major technologies nationwide. Key state projects for tackling difficult scientific and technological problems were mostly completed according to contract. Projects numbering 3,896 produced results or partial results, of which 3,195 benefited the national economy. A total of 10,414 scientific and technological achievements received awards from relevant State Council departments and provincial, regional, and municipal people's governments. In addition, 185 inventions were approved by the state. The ranks of scientists and technological workers grew steadily. The number of scientists and technological personnel working in the field of natural science in units owned by the whole people was 8.1 million last year, an increase of 630,000 over 1984. The number of social scientists was 4.2 million, 410,000 more than the previous year.

Reform in educational structure promoted steady development of education. China's graduate schools enrolled 47,000 new students last year, 23,000 more than in 1984, making the total number of graduate students 87,000, or 30,000 more than in 1984. Some 17,000 graduate students received degrees. Regular colleges and universities enrolled 619,000 students for regular or special college courses, 144,000 more than in 1984. The number of students studying at colleges and universities was 1,703,000, an increase of 307,000 over the previous year. Some 316,000 students graduated from colleges and universities. Institutions of higher learning for adults enrolled 788,000 students for their regular or special courses, 314,000 more than the previous year. The number of students studying in these schools was 1,725,000, or 432,000 more than in 1984. The number of graduates was 347,000.

Initial readjustment of the structure of secondary education was completed. The number of students studying at secondary schools was 51,683,000, an increase of 2,441,000 over 1984. Of this number, 4,165,000 were receiving vocational and technical education at the high school level, accounting for 36 percent of the total number of high school students, as compared with 32.3 percent in 1984. Some 1,348,000 students were studying at secondary specialized schools for adults, and 4,123,000 students studied at middle schools for adults.

Popularization of elementary education was further strengthened and developed. Some 133.7 million students were studying at primary schools. Of the total number of school age children, 95.9 percent were at school, up from 95 percent in 1984. Preschool education and special education for the blind, deaf-mute, and retarded also made considerable progress.

Cultural establishments, press, radio, and television all played an important role in building socialist spiritual civilization. In 1985, 127 feature films were produced, 17 less than the previous year. New releases (feature films) totaled 179, 2 less than the previous year. There were 182,000 film projection units, 3,319 art ensembles, 3,029 cultural halls, 2,356 public libraries, 719 museums, and 3,006 archives in various parts of the country. There were 215 radio stations, 575 radio transmitters and relay stations, 204 television stations, and 507 television transmitters and relay stations of more than 1,000 watts. A total of 18.69 billion copies of national and provincial level newspapers, 2.5 billion copies of magazines, and 6.65 billion copies (pieces) of books and publications were published in 1985.

Medical and health conditions improved steadily. China had 2,233,000 hospital beds at the end of 1985, a 3.1 percent increase over the figure at the end of 1984. Specialized health and technical personnel totaled 3,413,000, an increase of 2.1 percent. This figure includes 1,409,000 doctors (including 725,000 traditional Chinese and Western medical doctors) and 635,000 nurses, increases of 2 and 3.1 percent.

New breakthroughs were made in sports. Our athletes won 46 titles at world championships and world-cup tournaments in 1985, more than any previous years. Five world records were broken on 9 occasions, and 118 national records were surpassed 203 times. One hundred and thirteen persons won the title of international-level athletes. Mass sports activities became more popular.

#### 8. People's Life

Urban and rural people's life improved further. According to a sample survey of rural families, the peasants had a per capita annual net income of 397 yuan last year (including 355 yuan as earnings from production and business and 42 yuan as cash and goods sent or brought back by people working outside the home and as relief funds distributed by the state), 42 yuan more than in 1984 or up 11.8 percent. The increase in net income was 8.4 percent after deducting price increases. However, the livelihood of a small number of low income peasants was still difficult.

According to a sample survey of urban families, the nation showed an average annual per capita income of 690 yuan for expenses in 1985. People in cities had an average per capita income of 752 yuan, an increase of 23.8 percent over 1984. Even allowing for the rise in the cost of living, real income for workers and staff still rose by 10.6 percent.

In 1985, jobs were given to 3.6 million people in urban areas. The nation had 122,960,000 workers and staff by the end of the year, 4,060,000 more than at the end of 1984. Self-employed workers in the cities and towns totaled 4.52 million, 1.13 million more than at the end of the previous year. The annual wages of workers and staff in 1985 totalled 137 billion yuan (Footnote 4) (That includes the subsidies given to workers and staff to compensate for price fluctuations), up 20.9 percent from 1984. The average annual cash wage for workers and staff was 1,142 yuan, 17.2 percent more than 1984. The real increase in workers' wages stood at 4.7 percent when the cost of living increase was factored in. However, due to the fairly large-scale price increases on the market, the real income of a few workers decreased slightly.

Urban and rural savings deposits increased on a large scale. By the end of 1985, individual bank savings amounted to 162.3 billion yuan, 33.6 percent more than the 1984 year-end figure.

Housing for both urban and rural dwellers improved further. Houses completed in cities and towns in 1985 totalled 130 million square meters of floor space. Houses completed in rural areas in 1985 totalled 700 million square meters of floor space.

Social welfare continued to improve. In 1985, the 28,000 social welfare institutes in the country provided for some 380,000 people. Urban collectives provided for 2.25 million elderly, widowed, disabled, and orphaned people who had no one else to support them. Assistance was given to those who lived spread about in cities and towns and deserved special care and preferential treatment along with poor families. Some of these families were able to shake off their poverty.

#### 9. Population

According to a sample survey of 413 counties (and cities) in various provinces, autonomous regions, and municipalities directly under the central government, China's birth rate in 1985 was 17.8 per thousand and the mortality rate was 6.57 per thousand, and the natural growth rate 11.23 per thousand. Calculations made on the basis of data obtained from sample surveys indicated that by the end of 1985, China had 1,046,390,000 people, an increase of 11.64 million people over the 1984 year-end figure.

Footnote: All the figures in this communique are preliminary statistics for the year. They do not include figures for the Province of Taiwan. The figures listed in the communique for various total output values, national income, and total domestic production output values are calculated on the basis of the prices in that year. The rates of growth as compared with the previous year are calculated on the basis of fixed prices.

## XINHUA Commentary

OW010718 Beijing XINHUA Domestic Service in Chinese 0256 GMT 1 Mar 86

[Read the Communique, Praise Reform -- by XINHUA commentator]

[Text] Beijing, 1 Mar (XINHUA) -- The communique on statistics concerning the national economic and social development in 1985 has been published. The figures listed in the communique show eloquently that our national economy has entered a new development period marked by the greatest vitality. Reading the communique with excitement, we cannot but praise the great achievements of reform. It is none other than the party Central Committee's policy decision on reforming the economic structure that has added unprecedented liveliness to our national economy.

Reform has breached a big dike that hampered the development of commodity production. The long-standing idea that commodity production is possible only under capitalism has been eradicated. Instead, the scientific conclusion that socialism should promote the development of a planned commodity economy has been guiding our practice. The means of production, which have long been considered as something other than commodities, have entered the market, as well as the research results of advanced science and technology. The natural rural economy characterized by self-sufficiency, which has persisted for several thousand years, is changing in the direction of relatively large-scale commodity production. The proportion of agricultural produce sold as commodity out of the total production has reached as high as about 50 percent. Practice has shown that our commodity economy has aroused the initiatives of all quarters and is becoming a powerful force propelling our country's economic development.

In the past, China's economic management system was predominantly based on vertical relations between units at higher and lower levels, and the unified economy was divided into unrelated parts according to different departments and regions. This created many obstacles to the development of the economy. Development of horizontal economic ties among departments and regions is a breakthrough of this management system. Through the development of multichannel, multilayer, and multiform horizontal ties, we have adjusted our structure of production and the benefits of our work to society. It is through these horizontal ties that advanced technology has been transferred from central cities to the countryside, from the east to the west, from military industry to civilian industry, and from scientific research units to enterprises engaged in production. The year 1985 saw a giant stride taken in developing the interregional and interdepartmental ties throughout the country. Agreements were reached on as many as some 40,000 economic and technical cooperation projects, exceeding the total number of such projects for the 4 preceding years.

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The total amount involved in these projects was 7 billion yuan. In addition to this, the amount of materials involved in the cooperative projects exceeded 15 billion yuan. These horizontal ties have not only played a great role in promoting the present economic development but have provided a condition for the establishment of a reasonable economic network in our country.

Reform also added numerous brilliant colors to China's economy. This was manifested predominantly by the parallel development of many economic forms based on public ownership. In our national economy, not only did the enterprises owned by the whole people develop rather quickly, but collective and individual economies, joint Chinese and foreign investments, and other economic forms all showed relatively sound development as well. The output value of individually operated industrial undertakings exceeded the preceding year by 150 percent, while the output value of collective and other types of industries each increased by 30 percent or more. Big, medium, and small enterprises were developed simultaneously. They were established by many units instead of a few. The various forms of the economy complemented each other and developed in parallel, showing the unique vitality of China's economy.

Some people in the economic field describe the growing prosperity of the commodity economy, the rapid expansion of horizontal economic ties, and the parallel development of the various economic forms as three brilliant flowers of reform. This year the party and state have established for the work of reform the principle of "consolidation, digestion, supplementing, and improvement." Guided by this principle, we will be filled with confidence and advance with steadier strides to win the victory of the first battle in fulfilling the Seventh 5-Year Plan.

#### STATE COUNCIL PLANS ECONOMIC INFORMATION CENTER

OW020145 Beijing XINHUA Domestic Service in Chinese 1240 GMT 1 Mar 86

[Text] Beijing, 1 Mar (XINHUA) -- The State Council called for efforts to build the main system of the state economic information network as an important target during the "Seventh 5-Year Plan" period, that is, to do a good job in developing the system engineering project for the existing large information center of the State Planning Commission and the State Statistical Bureau, including expanding and extending this project. This was proposed by the State Council in its official written reply on the setup of the state automated economic information management system.

In its official written reply to the State Planning Commission, the State Economic Commission, and the State Statistical Bureau, the State Council pointed out: The state economic information system is aimed at serving the central authorities and local people's governments at all levels, as well as various principal comprehensive economic departments under the State Council, in conducting economic analyses and making forecasts and policy decisions. It is a huge systems engineering project. Therefore, while it is under construction, we must work out a general plan according to systems engineering methods, strictly enforce the technical responsibility system, and earnestly carry out our work well in designing and organizing the system.

The State Council pointed out: In order to exercise unified leadership over development of the state economic information system and strengthen the management of economic information it has been decided to set up the state economic information center with the main system of state economic information network as the foundation. The State Planning Commission will run this center on behalf of the state. To assure smooth development of the state economic information center and the system engineering project and to render better services, a state economic information management leading group will be set up by the responsible comrades of the State Planning Commission and the relevant departments.

SPECIAL ECONOMIC ZONES WORK CONFERENCE HELD

OW030206 Beijing XINHUA Domestic Service in Chinese 0747 GMT 27 Feb 86

[By reporter Yu Youhai]

[Excerpts] Beijing, 27 Feb (XINHUA) -- During the first year of the "Seventh 5-Year Plan," this reporter had an opportunity to climb a high-rise building just completed in Shenzhen, Guangdong, and to look down on the entire city. Representatives from Zhuhai, Shantou, and Xiamen attending the conference on the work of special economic zones were also at the top of the building for a birds-eye view of the city, and enthusiastic about changes in their own special economic zones. The situations in the four special economic zones are different, but today's Shenzhen is no doubt an ideal example reflecting major developments of various special economic zones.

In the course of promoting developments, the Shantou Special Economic Zone, which began fairly late, has fostered strengths while circumventing weaknesses, attached great importance to actual results, and developed a number of infrastructural facilities with local characteristics. Comrades from the Zhuhai and Xiamen Special Economic Zones expressed similar jubilant feelings when they introduced achievements of their respective zones in accelerating local construction and improving the investment environment by promoting the party's policy in opening to the outside world. As of the end of 1985, the four special economic zones have opened up about 60 square km of land for construction, and nearly 900 factories and enterprises have recently been completed and put into operation. In addition to business buildings, tourist facilities, and residential housing areas, these localities are rapidly becoming valuable economic bases with tremendous attractions.

The special economic zones are less than 6 years old since the beginning of 1980 when construction work began there. However, the four special economic zones representatives told this reporter that these frontline positions, located in China's southeast coastal areas, exert a powerful influence for implementing the policy of opening to the outside world. Many overseas and domestic investors flocked to the zones to discuss businesses and run factories and enterprises. In the past 5 years, direct foreign investment in various special economic zones totaled more than \$1 billion, about one-fifth of the total amount of direct investment from foreign businessmen in the country during the same period.

Naturally, the builders of the special economic zones refuse to rest on their laurels. Responsible comrades in Shenzhen, Zhuhai, and other localities said they are still faced with problems and difficulties in doing their work. The comrades from the four special economic zones unanimously said: To integrate micro-flexibility with macro-control, build the special zones from scratch so that they will actually turn out products with high standards and efficiency, and achieve the goal of forming an export-oriented economy remain arduous tasks. However, as a leading comrade in Xiamen City has said: Time now is, after all, different from the initial period when the special economic zones were under construction. During the past few years we have not only developed the economy, but also broadened our views, accumulated experience, and tempered our workers and staff. With anything, it is always hard to start. With this type of fine beginning, we should be assured of our success in further opening to the outside world and running the special economic zones well.

RECTIFICATION COMMISSION LAUDS LIAONING COUNTY

OW260121 Beijing XINHUA Domestic Service in Chinese 0908 GMT 25 Feb 86

[Excerpts] Note of the Central Commission for Guiding Party Rectification: Benxi County in Liaoning Province has offered a good experience in pursuing party rectification in towns and townships, which is characterized by earnest efforts to tackle practical problems and adoption of concrete and effective measures. While resolving problems existing among party members, the county has focused attention on enhancing party spirit and improving party style; while conducting ideological education among party members, the county has closely combined their thinking with reality in the rural reforms and economic work, and have concentrated on educating members concerning the party's goal and the necessity of following the correct guiding ideology in the rural work; and while strengthening leadership over party rectification, the county party committee has stressed the importance of a strong and effective leadership system, and has introduced a responsibility system, under which each leading cadre takes charge of the work of a specific area. Practice has proven that the measures adopted by the county area effective for carrying out party rectification in rural areas. Currently party rectification at the township level -- which is the key for successfully carrying out party rectification in rural areas -- is being unfolded in all localities across the country. It is hoped that they will proceed from the actual situation in each locality and use Benxi County's experience as a reference in promoting solid party rectification work in towns and townships and the countryside as a whole. (end of note)

Shenyang, 25 Feb (XINHUA) -- Owing to the leadership's keen attention, ample preparation, emphasis on major issues, and effective measures, Benxi County in Liaoning Province has achieved marked results in carrying out party rectification in rural towns and townships. During a recent visit deep into the rural areas in the county, responsible comrades of the Liaoning Provincial Party Committee's Group for Guiding Party Rectification conducted an investigation of the party rectification work in rural towns and townships there, and talked to local cadres about their experiences.

Benxi is one of the pilot counties of Liaoning Province in carrying out rural party rectification. Since last August, the county has successively pursued party rectification at town and township levels. Most units are presently carrying out the registration of party members and taking organizational measures. Their work has basically met the requirements set in the "circular concerning the arrangements for rural party rectification work" issued by the Central Commission for Guiding Party Rectification. Following are the special characteristics of the party rectification work carried out in the county:

1. Improvement of party style and enhancing of party spirit have been regarded as two major issues to be resolved in the course of party rectification, while the intensification of education on the party's basic goal has been integrated with the examination and correction of unhealthy tendencies.
2. The county has closely combined the actual thinking of party members with the reality in rural reforms and economic work in effectively conducting ideological education and the education on the party's principles and policies and in correcting the guiding ideology for the rural work.
3. Leadership over rural party rectification work has been strengthened, and a strong and effective leadership system on party rectification has been set up throughout the county.

While the secretary of the country party committee has primarily concentrated his efforts on party rectification, the leading deputy secretary and the secretary of the Discipline Inspection Commission have exerted every effort to supervise the work, and seven of the nine standing committee members of the county party committee have also dedicated themselves to party rectification work. Town and township party committees have also focused attention on the work.

#### MICROECONOMIC REGULATION IN ENTERPRISES VIEWED

HK270816 Beijing RENMIN RIBAO in Chinese 24 Feb 86 p 5

[Article by Zhan Wu: "Pay Attention to the Supplementary Role of Microeconomic Readjustment of Enterprises" -- capitalized passages published in italics]

[Text] As the planned commodity economy develops, as the urban and rural economic structural reform is implemented, and as the decision-making power of our enterprises expand and their economic vitality is strengthened, diverse forms of economic regulation have been gradually carried out inside our rural cooperative economy, inside our urban and rural industrial and commercial enterprises, and between our industrial and commercial enterprises. We call this regulation microeconomic regulation. As a supplementary force to the macroeconomic regulation by the state, it plays an important role.

#### Conditions and Role of Three Kinds of Microeconomic Regulation

This microeconomic regulation exists and develops mainly in three spheres and is playing a satisfactory role in all of them.

FIRST, INSIDE OUR RURAL COOPERATIVE ECONOMY, WE MAKE THE INDUSTRIAL SECTOR SUBSIDIZE AND AID THE AGRICULTURAL SECTOR AND THUS PROMOTE THE ALL-ROUND DEVELOPMENT OF INDUSTRY AND AGRICULTURE.

Over the past few years, in the process of the quick development of our rural commodity economy, in particular our township and town enterprises, the labor productivity of the rural processing industry, and the tertiary industry, has risen more quickly than agriculture. In addition, it is difficult to make a thorough rational readjustment to eliminate the irrational disparity between the prices of our industrial and agricultural products in our price system. Therefore, the profits of industry and the tertiary industry have grown more quickly than those of agriculture, in particular grain production and certain sections of animal husbandry. This has increased the disparity day by day and has had an increasingly great impact, harming the peasants' initiative in growing grain and breeding animals. In order to alleviate this problem, many cooperative economic organizations have relied on the profits of their township and town enterprises and given various kinds of subsidies and aid to their grain production and other low-income undertakings.

This method of subsidizing agriculture by industry can be roughly classified into the following three categories: The first category is to give diverse forms of subsidies, the second is to give various kinds of preferential treatment concerning production, operational, and service conditions; and the third is to support the expanded reproduction of agriculture with the funds and labor in our industry and sideline undertakings. For example, our township and town enterprises transfer some of their work force to agriculture during agricultural busy seasons, build irrigation canals and water conservation facilities, allocate funds for farmland improvement, groundwork, and water conservation, for the reparation of the above facilities, and for protecting farmland, or create conditions for providing services before, during, and after production.

As long as a place conscientiously carries out this method of subsidizing and aiding agriculture by its industry, it will be able to substantially raise grain producers' income under the circumstances of relatively low grain prices and low income from grain production, steadily develop households specialized in grain production, and maintain a steady increase in total grain output. As Zhejiang's Yinxian County as persisted in carrying out and gradually perfected the system of subsidizing agriculture, last year the income of the staff and workers in all the township and town enterprises rose by 10 percent, but the per capita income of the peasants engaged in farming rose by 20 percent. In some villages where township and town enterprises have developed satisfactorily, the income of those engaged in agriculture is equal to those engaged in industry. Some of them even earn more than those who work in factories. Adhering to and perfecting the method of subsidizing agriculture by industry is an important reason why Shandong, Hebei, Beijing, Tianjin, and other provinces and municipalities increased their grain output last year.

SECOND, SETTLING ACCOUNTS BETWEEN INDUSTRIAL ENTERPRISES AT INTERNAL TRANSFER PRICES IS CONDUCIVE TO REDUCING THE DISPARITY IN INCOME AND BURDENS AND PROMOTING SPECIALIZED COOPERATION AND COMBINATION.

Jiangsu's Changzhou City experimented with this practice relatively early. There are two points here: One is to appropriately transfer factory profits from components with higher profit rates to those of final assembly with lower profit rates. The other is to transfer profits from factories of finished products that earn higher profits to those of raw materials that earn lower profits. Both practices have achieved relatively satisfactory results. 1) They have greatly quickened the development of specialized cooperation and combines and the rationalization of the organizational structure of our enterprises. 2) To some extent, they have removed the negative impact on production and operations of our enterprises caused by the serious deviation of prices from value; urged enterprises to improve their administration and management; closely combined mergers and reorganization with technological transformation; increased profits by means of enlarging our production batches, reducing consumption, raising labor productivity, and lowering costs; and thus caused output and profits to rise sharply.

In light of the actual situation, many industrial enterprises in Shanghai have also readjusted economic interests between various enterprises by means of regulating transfer prices in the same lines of trade and by means of readjusting the percentage of retained profits. By so doing, they have eased problems related to the disparity of profits and the burdens between enterprises, and have promoted an even production development.

Industrial enterprises in some cities in northeast China have also stated that their transregional combines are allowed to readjust their economic interests through their internal transfer prices and thus promote and consolidate horizontal economic cooperation.

THIRD, OUR COMMERCIAL ENTERPRISES HAVE GIVEN AWAY PROFITS TO OUR INDUSTRY AND PEASANTS AND THUS ENSURED THEIR SOURCES OF GOODS AND FACILITATED STABILIZATION OF THE MARKET.

The wholesale commercial enterprises in Shanghai have adopted economic regulatory measures such as giving away some profits in domestic and foreign trade to and subsidizing the industrial enterprises that have difficulties in independently dealing with the impact of the increase in the prices of raw materials. These measures have proved very effective. From January to June last year, they adopted the method of increasing prices and are thus giving away some profits in purchasing market commodities in short supply such as sewing machines, television sets, wristwatches, and some knitwear and textiles. By so doing they have ensured the fulfillment of their purchase plans. Although the rate of commercial profit dropped to some extent, the sources of purchases increased.

This has played a positive role in stabilizing the market, pushing down the prices, and satisfying consumers' demands. At the same time as the volume of purchases has risen, there has not been any reduction in their total profit. This has also promoted the expanded reproduction of our industry.

Some township and town collective commercial enterprises have also adopted this purchase method of taking the initiative to give away some profits when purchasing products from peasants. For example, after Tanghou Township in Yuyao County, Zhejiang Province, readjusted its product mix and turned over 1,000 mu of cotton fields into vegetable fields, the peasants worried that there would be no way to market the vegetables and vegetable prices would drop. Vegetable market no 2 (a township enterprise) promptly supported at "protective prices" a little higher than local market prices, and signed a contract for this. As a result, during the first 4 months of last year, the market sold more vegetables than it did in the year before last. Half of the vegetables were sold abroad, an increase of 1,000 percent over the year before last. This has not only protected the peasants' interests, but also developed collective commerce itself.

#### Advantages and the Important Position of Our Enterprises in Carrying Out Microeconomic Regulation

Compared with the macroeconomic regulation carried out by the state by applying economic levers, the above-mentioned three kinds of microeconomic regulation have their own characteristics and advantages. These characteristics and advantages are:

First, it is regulation that relies on the force of the enterprises themselves and does not increase the state's burdens. Rural cooperative economic organizations are an example: The amount of subsidies that industry gives agriculture from its profits accounts for only a relatively small portion of the total profits of township and town enterprises. Last year, Beijing spent 135 million yuan of its industrial profits to subsidies its agriculture. This accounted for 18 percent of the total profits of its township and town enterprises. Wuxi County's Xizhang Township gave 100,000 yuan as subsidies to its agriculture last year, which accounted for 3 percent of the profits of its township and town enterprises. Therefore, the rural cooperative economic organizations with relatively developed township and town enterprises can rely on their own strength without any financial support from the state and take the initiative in conducting this regulation, which is conducive to the all-round development of our rural economy.

Second, it is a partial readjustment in the forms of profit subsidies, handing over profits, or internal transfer prices inside an enterprise or between enterprises. Therefore, it will not affect price levels in society and will not have a widespread influence and chain reaction on our national economy as the state's price readjustment does. It can carry out partial and slight readjustment in a situation where the state is unable for a time to readjust the price system concerned.

Third, it reflects the relations of mutual benefit and aid inside an enterprise, between enterprises, and between industry, agriculture, and commerce, and has great vitality. Between the various parties that take part in this economic regulation, there are relations of mutual dependence and promotion. This regulation conforms to the interests of all these parties. For example, in terms of both the supply of raw materials and the market for sales, the prosperity of our agriculture is indispensable for the development of our township and town industry and commerce. Conversely, only when township and town industry and commerce have developed can we have even greater strength to subsidize and help our agriculture and can our agriculture become even more prosperous and developed.

Similarly, there are also relations of identical interests and mutual dependence between our industry and commerce and between the parties in our industry who have formed a combine or who have cooperated. The economic regulation that they carry out on the basis of mutual benefit also has great vitality.

Microeconomic regulation is conducive to the development of horizontal economic cooperation and combines, to breaking divisions between departments and areas, to further enlivening our enterprises, and to promoting and helping the development of our economic structural reform. At the same time, it is even more conducive to the coordinated development of our country's industry, agriculture, and commerce. It prevents the emergence of lopsided economic development with a shrinking agriculture, which has been common in the industrialization process of developing countries. This shows the superiority of our country's socialist system.

Of course, we should also see that there are certain limitations and restrictions in this microeconomic regulation. On the one hand, it is partial regulation, and can therefore play only a limited role which is far less extensive than that of the macroeconomic regulation conducted by the state through the application of economic levers. On the other hand, it is limited by the economic capability of the enterprises concerned. For example, inside our rural cooperative economic organizations we can adopt the method of subsidizing agriculture by industry. However, this can only be done in the areas where township and town enterprises are relatively developed. At present the percentage of these areas in our country is not large. Of course, from a long-term point of view, as township and town enterprises develop this capability of subsidizing agriculture by industry the percentage will gradually grow.

In our socialist country, the application of economic regulatory means is on diverse levels. There are three levels: the relevant central economic departments, the local governments at various levels, and the enterprises. If we say that both the relevant central economic departments and the local governments at various levels represent the state in applying economic levers to carry out macroeconomic regulation, then the economic regulation inside and between our enterprises is microeconomic regulation which the enterprises take the initiative to carry out with their own strength and without relying on the state. Generally speaking, the state's macro regulation remains dominant, with a decisive role, while the microeconomic regulation of our enterprises plays an important supplementary role in coordination with the state's economic regulation. True, it is necessary for enterprises to carry out this microeconomic regulation under the condition that the state is unable for a time to apply the means of changing prices and tax rates in carrying out macroeconomic regulation; but even under the condition of the state carrying out its macroeconomic regulation by means of prices, taxation, and credit, as the development in various areas, trades, and enterprises is uneven, it is impossible for the state's macroeconomic regulation to very appropriately arrange the interests of all enterprises in production. Therefore, this partial regulation inside and between enterprises continues to be a necessary supplement.

Microeconomic regulation is carried out only on a small local scope, but its effect can accumulate and become great. Therefore, it can still play a fairly great role. At the same time, although macroeconomic regulation is restricted by the limited economic strength, when the state applies economic levers such as prices, taxation, and credit to conduct macroeconomic regulation, it is also restricted by its financial or material resources or other conditions. Therefore, the two kinds of regulation each have their own advantages, cannot replace each other, and should be organically combined in order to promote each other.

According to the experience gained by various areas, in order to give better play to our enterprises' role of microeconomic regulation, we should follow the following examples: 1) We should adhere to the principles of mutual benefit and of encouraging the advanced and should not eat out of the same big pot or pursue egalitarianism through redistribution.

2) We should adopt appropriate concrete methods. For example, transfer prices are only applicable inside an economic combine. All the products for which the prices are fixed by the state must resolutely be sold at the current state prices in order to prevent harming consumer interests. The methods of subsidizing agriculture by industry should also be appropriate in order to actually play a role in promoting grain production. There should not be a deceptive practice of selling grain in order to obtain subsidies. 3) We should attach importance to and strengthen the guidance of the state. In expanding the decision-making power of our enterprises, we should grant our enterprises the power to correctly exercise microeconomic regulation. When the state (including the central departments and localities) is conducting its macroeconomic regulation, it should consciously regard the microeconomic regulation of our enterprises as an important supplement, and guide and perfect microeconomic regulation.

As our planned commodity economy develops, as our economic structural reform deepens, as the economic vitality of our enterprises grows, and in particular, as the horizontal economic relations vigorously develop, the scope of application of this microeconomic self-regulation inside our enterprises, between enterprises and between different lines of trade will be further expanded. For example, in the purchase and sales contracts between supply and marketing enterprises and peasants, we link production means with peasants' products. In the joint ventures or other economic combines between the areas that produce and those that sell grain, pigs, vegetables, and other agricultural products and between the areas that supply these products and those that consume them, and also in the combines between agricultural and commercial enterprises, between industrial and commercial enterprises, and between agricultural, industrial, and commercial enterprises, we can also carry out appropriate forms of economic regulation. By so doing, we will enable these economic contracts, joint ventures, and combines to break through the restrictions of the current irrational price system and administrative boundaries.

#### NAVAL AIR FORCE ATTAINS ADVANCED WORLD LEVEL

HK020120 Beijing ZHONGGUO XINWEN SHE in Chinese 0244 GMT 28 Feb 86

[Report by Li Wei: "Chinese Naval Air Force Has Attained Advanced World Level in Superlow Flying"]

[Text] Beijing, 28 Feb (ZHONGGUO XINWEN SHE) -- The naval air force, one of the three major shock forces of the Chinese Navy, now has a pretty strong fighting capacity, able to fight independently or in cooperation with the Navy's ships in defending the country's coast and territorial seas. High performance in superlow flying is one of the main features of the Chinese naval air force, the air units have attained the advanced world level in superlow flying. Their pilots can fly bombers at less than 30 meters above the sea surface (the criterion for superlow flying is 100 meters above the surface). It is very difficult for the enemy to detect a plane flying at such a low altitude.

A high percentage of hits and a strong capacity for long distance attack are two other obvious features of the Chinese naval air force. In military exercises held between vessel units and air units in a certain sea area in recent years, the naval air force units hit all the targets in superlow flying shock attack operations, and proved their ability to fly nonstop from the Chinese hinterland to the Nansha islands.

The Chinese naval air force was founded in 1950. The number of pilots has been more than doubled that in the 1950's. The naval air force is now armed with many types of aircraft with different functions, such as bombers, attack planes, fighter planes, antisubmarine planes, patrol planes, reconnaissance planes, hydroplanes, electronic interference planes, and so on. Also, the naval air force will soon be armed with deck-landing aircraft.

In the past 3 decades or more, the naval air force took part in a total of 342 combat operations (mainly in the 1950's and 1960's), including the combined operation to liberate Yijiangshan Island. The naval air force brought down a total of 201 enemy planes, including such well-equipped and sophisticated aircrafts as P2V-7 electronic scouts, F-4B fighter-bombers, and F-104C fighter-bombers; hit 158 enemy planes; and flew more than 10,000 sorties, successfully fulfilling various missions, including escorting fishing vessels, convoying naval vessels, fighting against disasters, salvaging the sunken ship Awa Maru, and assistant in the intercontinental missile test and the Antarctic survey mission.

Military flight experts pointed out that flying over sea is more difficult than flying over land; the weather is complicated and changeable at sea. It is hard to confirm direction and spot positions over the sea where there are few landmarks, and flight safety is subject to many limitations. In addition, superlow flying leaves limited room for the plane to maneuver and limited time for the pilot to deal with an emergency. Therefore, the Chinese Navy has taken the basic technique of flying over the sea as a key training point and has constantly emphasized the necessity of raising the degree of intensity and difficulty of training.

It is reported that the Chinese naval air force, while strengthening military training, is making great efforts to update its arms and develop bombers, attack planes, and long-range antisubmarine planes with great attack capacity, as well as developing special planes for air lifts at sea, ambulance service, and in-flight refuelling, thus gradually narrowing the gap between it and the naval air forces of developed countries throughout the world.

#### YANG DEZHI AT LECTURE ON DEFENSE MODERNIZATION

OW020127 Beijing XINHUA Domestic Service in Chinese 1247 GMT 1 Mar 86

[By reporter Gai Yumin]

[Text] Beijing, 1 Mar (XINHUA) -- To keep pace with changes of a strategic nature in the guiding ideology for national defense, high-ranking PLA cadres have attached great importance to the study of strategic theories and strengthened their strategic studies. The organs under the PLA General Headquarters have sponsored a series of lectures on "strategies for development of national defense." The first lecture began today.

This series is divided into four parts, totaling ten lectures. Experts, scholars, and professors outside and within the Army will lecture the high-ranking PLA cadres on results of their own studies. Huan Xiang, an expert on international issues, gave the first lecture today, entitled: "The Analysis of the Trend in the Development of the World Situation, and the Theoretical Basis of Strategic Policy Decision in Entering the 'Period of Peace' as Put Forward by the Military Commission." He gave a penetrating analysis of the current relatively stable period of peace which will prevail in the world from now on. He also vividly elucidated the issues on war and peace and on how to use the period of peace to strengthen national defense.

Yang Dezhi, member of the Political Bureau of the CPC Central Committee and chief of the General Staff of the PLA, also attended and delivered a speech before the lecture began. He said: In a broad sense, the leading cadres of various vocational departments of those organs directly under the Military Commission are strategic staff cadres of the Military Commission. All of them should be imbued with a strong strategic sense, and they should attach great importance to the study of strategies.

The high-ranking Army cadres should study strategic theories well, fully understand modern ways of study with a scientific approach, gradually replace the policy decisions made on the basis of their experience -- a practice to which they are accustomed -- with scientific policy decisions, and further improve leadership qualities. Following the vigorous study of strategies, a new situation will definitely prevail in the near future in our Army building and in the modernization of national defense.

More than 1,000 people attended the lecture, including leading comrades from the three PLA general departments, the National Defense Science, Technology, and Industry Commission, the Academy of Military Sciences, the University of Science and Technology for National Defense, various military services, and the Beijing Military Area.

#### STATE COUNCIL APPROVES NORTHERN SHELTERBELT

OW270633 Beijing Domestic Service in Mandarin 1200 GMT 24 Feb 86

[Text] The State Council recently approved and transmitted a report on the conclusion of the first-phase project and proposals for the second-phase project in the construction of shelterbelts in north, northeast, and northwest China. The State Council pointed out: The first-phase project has yielded encouraging results. In carrying out the second-phase project, we should draw lessons from the experiences gained in the first phase further strengthen leadership, mobilize the masses, foster a scientific attitude, pay attention to practical results, and boldly make reforms and innovation in order to make substantial progress.

In December 1983, the Ministry of Forestry established a leading group for planning the second-phase project in construction of shelterbelts in north, northeast, and northwest China. Some 27,000 experts, scholars, and technicians have mapped out a feasible plan for the second-phase project through 2-year surveys and study. The plan encompassed 466 counties and banners, 70 more than the first-phase project. The second-phase project will be accomplished 10 years from now. This plan will focus mainly on the greening of areas around Beijing; the control of the Horqin and (Maowusu) deserts; and planting trees along the banks in the middle reaches of the Huang He.

In approving the transmitting the report of the leading group of the construction of shelterbelts in north, northeast, and northwest China, the State Council stressed that the key to accomplishing the arduous task of the second-phase project is to constantly carry out reforms, implement the system of contracted responsibilities on funds, increase returns on investment, tap the potential of forestry by coordinating short-term with long-term projects, and supplementing forestry with sideline occupation and industry.

#### DENG XIAOPING INSCRIPTION FOR LIN BOQU RESIDENCE

OW021333 Beijing Domestic Service in Mandarin 1200 GMT 1 Mar 86

[From "News in Brief"]

[Text] According to another report, the former residence of Comrade Lin Boqu in Linli County, Hunan Province, has been renovated. It will officially open to the public on 20 March, the centenary of Comrade Lin Boqu's birth. Comrade Deng Xiaoping wrote an inscription for a plaque hung at Comrade Lin Boqu's former residence.

ANHUI GOVERNOR FETES DPRK OPERA TROUPE

OW021309 Hefei ANHUI RIBAO in Chinese 16 Feb 86 p 1

[Dispatch by reporter Qiu Zhengping]

[Excerpts] The Kumgangshan Opera Troupe, led by Paek Chong-won of the Democratic People's Republic of Korea, was invited to our province for a visit and performance. The 90-member troupe arrived by plane in Hefei at 1400 yesterday. Wang Houhong, vice governor of Anhui Province; Jiang Xiaohong, vice mayor of Hefei City; as well as responsible comrades from the departments concerned greeted the guests at the airport. In the VIP room, they held cordial and friendly conversations with the Korean comrades, expressing the profound fraternal friendship cemented with the blood of the peoples of China and Korea.

At 1730 Governor Wang Yuzhao, Vice Governor Wang Houhong, provincial government Secretary General Zhao Huashou, and Vice Mayor Jiang Xiaohong met with the troupe leader Paek Chong-won, adviser Yi Hyong-sik, and deputy leader No Un-san. Cordial conversations were held between the hosts and guests. In the evening Governor Wang Yuzhao hosted a banquet at the Daoxianglou Guesthouse in honor of the Korean guests. At the banquet, toasts were given by both sides, and splendid, entertaining performances were given by Chinese and Korean performers.

ANHUI CONGRESS COMMITTEE OPENS 20th MEETING

OW282039 Hefei Anhui Provincial Service in Mandarin 1100 GMT 26 Feb 86

[Excerpts] The Sixth provincial People's Congress Standing Committee opened its 20th meeting on 25 February. Chairman Wang Guangyu presided over the meeting. The meeting decided that the Fourth Session of the Sixth provincial People's Congress would be convened on 21 April. Entrusted by the provincial people's government, (Chen Qiyu), deputy secretary general of the provincial people's government, and (Zhao Xuezhou), director of the provincial department of agriculture, animal husbandry, and fishery respectively gave reports concerning progress in checking unauthorized loans and fees to reduce peasant burdens and enterprises and in readjusting the agriculture structure.

Members held group discussions on these two reports on the afternoon of 25 February. Vice chairmen of the provincial People's Congress Standing Committee attending the meeting were Su Hua, Zhang Zuoyin, Wei Xinyi, Xia Deyi, Zheng Rui, Yang Chengzong, Kang Zhijie, Du Weiyou, and Zheng Huaizhou. Vice Governor Yang Jike attended the meeting as an observer.

JIANGSU UNDERTAKES RURAL PARTY RECTIFICATION

OW282031 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 26 Feb 86

[Text] According to a report by XINHUA RIBAO, after the conclusion of party rectification at the county level, party rectification at the grass-roots level in rural areas is under way in Jiangsu in line with the plan of the Central Commission for Guiding Party Rectification and the Jiangsu Provincial CPC Committee's plan for party rectification in the countryside. Of the province's 64 counties and cities and 17 suburban areas under the jurisdiction of the cities, 10 counties and cities have carried out rural party rectification. Rural party rectification in Jintan, Yangzhong, and Kunshan Counties had been basically completed before the start of the Spring Festival this year. Party rectification in the town and township organs in the suburban areas in Haimen, Jiangpu, Danyang, Dantu, and Jurong Counties and those of Taizhou and Xuzhou Cities have been basically completed, and preparations are being made to carry out party rectification at the village level.

Most of the town and township organs in other counties, cities, and suburban areas, where party rectification has been carried out on a trial basis, have completed the comparison and examination phase, and they have begun registering party members and streamlining party organization.

In order to carry out an all-round rectification of rural grass-roots party organizations, the provincial CPC Committee approved on 1 January this year, the plan of its office in charge of party rectification on carrying out party rectification in rural areas. A group of 28 departmental and bureau level cadres from provincial departments concerned were selected to inspect party rectification in rural areas. Various cities and countries have responded to the call of the provincial CPC Committee and have adopted measures to strengthen guidance over party rectification in rural areas. According to incomplete statistics, more than 4,600 persons have been sent by various cities and counties to help in rural party rectification. At present, various localities are conducting party rectification at the district, township, and town level in a planned way and in township to village order as instructed by the party Central Committee and the provincial party committee.

#### LI FENGPING ATTENDS ZHEJIANG PROVINCIAL CONGRESS

OW280936 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 25 Feb 86

[Text] The Standing Committee of the 6th Zhejiang Provincial People's Congress began its 18th session today. It was presided over by Li Fengping, chairman of the Standing Committee. Wu Zhichuan, vice chairman of the Standing Committee, briefed the participants on the call at the 14th session of the Standing Committee of the 6th NPC on curbing serious economic crimes. He said: We have achieved marked results in striking at economic crimes in the past year. We should make use of the current favorable situation, continue to implement the principle of strictly abiding by law, correct shortcomings in our work, be bold in dealing with major cases, and carry on the struggle to curb serious economic crimes.

The session also heard reports by (Xin Chang), vice president of the provincial Higher People's Court, and (Tong Xinguang), deputy chief procurator of the provincial People's Procuratorate, on the progress made in striking at serious economic crimes. They said in their reports that new progress has been made in the struggle to curb serious economic crimes, but progress in investigating and dealing with major cases has been slow. As a result, a number of people who committed serious economic crimes in the past have not been dealt with according to the law. They stressed: While paying attention to economic reforms and opening to the outside world, it is necessary to continue to strike at economic crimes. We must be bold in dealing with major cases, strictly abide by law, and further deepen this campaign against economic crimes.

Attending the session were vice chairmen of the provincial People's Congress Standing Committee, including Chen Anyu, Shang Jingcai, Li Yuhua, Wu Zhichuan, Wang Qidong, and Zhu Zuxiang. Attending the session as observers were Vice Governor Xu Qichang and responsible persons of the provincial federation of trade unions, the provincial women's federation, the provincial CYL Committee, various provincial departments, as well as responsible persons of the various prefectural and city People's Congress standing committees.

GUANGDONG IMPROVES PARTY WORK STYLE AFTER 1 YEAR

HK270813 Beijing ZHONGGUO XINWEN SHE in Chinese 0755 GMT 24 Feb 86

[Text] Guangzhou, 24 Feb (ZHONGGUO XINWEN SHE) -- The Guangzhou City CPC Committee has conducted party rectification for 1 year, and the examination of party style in that city CPC Committee carried out among 55 organizations at the district, county, and bureau levels under city authorities shows that a turn for the better in party style has been effected in more and more units.

The leaders of the Guangzhou City CPC Committee have set good examples and taken the lead in straightening out party style. City CPC Committee Secretary Xu Shijie has refused to seek any personal privileges. Whatever ceremony he attends, he always asks the organizers whether gifts were presented to participants. If the organizers did present gifts, he criticizes them. He never travels by limousine but simply takes a van. He often visits grass-roots units together with other leaders of the city CPC Committee and the city government, helping lower levels to solve existing problems. He has also initiated the "if I were mayor of Guangzhou" activities and conducted three public opinion polls to extensively solicit the masses' criticisms and suggestions on city work.

The leaders of the Guangzhou City CPC Committee have personally taken part in the investigations into major and important cases, especially cases relating to unhealthy tendencies among leading cadres. Last year, a total of 103 criminal cases involving party-member cadres, including 31 major and important cases, were investigated and handled in the city. Generally, the processing of these cases did not encounter serious obstacles. In other words, the malpractice of bureaucrats shielding each other has become less and less prevalent.

In straightening out party style, the Guangzhou City CPC Committee first took action to handle the cases of party-member cadres occupying larger houses, the cases against which the masses had the deepest grievances. The city CPC Committee promptly investigated and handled every case exposed. So far, most of the 281 party-member cadres who had unreasonably occupied larger houses have made conscientious self-criticism and have returned the excessively large houses or have had their rents raised. Eight party-member cadres whose cases were more serious have been penalized according to party discipline and state law.

As the evil trend of "placing money before everything" has been prevalent in the past few years, many people have openly accepted "red paper bags" [bags containing gifts of money]. Since the party rectification was launched in Guangzhou last year, a total of 113 leading party-member cadres at the district, county, and bureau levels in the city have been found to have accepted "red paper bags." So far, 107 of them have returned the money they received, totaling more than 19,000 yuan and HK\$8,000. Out of the 439 enterprises established by party and government organizations in Guangzhou, 81 have been closed and the rest have been handed over to other organizations for operation or have been made independent of their original owners. City authorities have also properly handled such issues as arbitrarily distributing bonuses, goods and materials, and garments, promoting sales by offering prizes, indiscriminately exacting charges, arbitrarily raising prices, and so on.

Since the beginning of this year, the Guangzhou City CPC Committee has continued to investigate and handle such cases as party and government organizations running businesses, traveling at public expense, above quota purchase of cars, arbitrarily sending people abroad, and so on. As a result, the practices of arbitrarily sending people abroad and traveling at public expense have been basically curbed, and those organizations which have purchases cars above the quota have also registered with the authorities concerned at the appropriate levels for ratification.

TAIWAN'S DIPLOMATIC 'PLIGHT' OVER ADB-VIEWED

HK281103 Beijing ZHONGGUO XINWEN SHE in Chinese 0808 GMT 25 Feb 86

[Commentary by reporter Wang Jie: "Only by 'Responding to Reality' Can There Be a 'Deserved Reputation'"]

[Text] Recently, the Asian Development Bank voted overwhelmingly for China's participation in the organization. On hearing the news, the Taiwan side reacted immediately. The measure adopted in response is one of "nonacceptance, nonwithdrawal, and nonparticipation." This means not changing the name, not withdrawing from the organization, and not participating in the April council.

On leaving or remaining in the Asian Development Bank, the Taiwan authorities have in the past few years shown repeated changes of mind, and been hesitant and indecisive, giving much thought to the matter. The main problem lies in either retaining the name while dropping the claim to belong, or changing the name to maintain the claim to belong. A choice must be made between the two. They cannot have things both ways.

On this problem, people in the Taiwan inner circles have unfolded a heated debate. One group insists on preserving the name "Republic of China" in disregard of the loss of membership. This is what is called "preferring to be a shattered vessel of rather than an unbroken piece of pottery." This group represents the "shattered vessel of jade." Another group advocates facing up to reality and prefers changing the name to losing membership. This group represents the "unbroken piece of pottery." It comprises new forces within the KMT and many "Legislative Yuan members," scholars, officials, and so forth. Members of this group believe that there must naturally be no loss of face. But at a moment like this, the matter of face is not so important. The important thing is to retain the seat. This is what is called "fearing not a shortage of firewood so long as the green mountains are there." But the problem is that the group representing the "unbroken piece of pottery" has no actual power and cannot have the final say. After half a day of squabbling, the curtain fell, with the new version of the "three don'ts" still prevailing.

As soon as the new version of the "three don'ts" policy was released, it aroused people's close attention. Public opinion holds that such a policy is aimed at holding things up. The natural result of so doing will be "automatic withdrawal where no withdrawal is announced." This will naturally cause Taiwan to isolate itself. This is not a wise move. At present, there remain only 10 international organizations in which Taiwan participates, the Asian Development Bank being the most important of them. Since the Asian Development Bank is a case of "automatic withdrawal where no withdrawal is announced," then given another encounter with the mainland side where other international organizations are concerned, would there not also be recourse to the new version of the "three don'ts" and "automatic withdrawal where no withdrawal is announced"? The circumstances surrounding such a "withdrawal" can be easily imagined.

As far as the overall situation is concerned, Taiwan's diplomacy has hit a strong danger signal. In former years, when Taiwan was compelled to withdraw from the United Nations, it seemed that "preferring to be a shattered vessel of jade rather than an unbroken piece of pottery" was then also taken as the guiding thought. At that time, it had "diplomatic relations" with 67 countries and regions. By the end of last year, the number of such countries and regions had dropped to 23. In 14 years, there was a reduction of 44, with an average annual loss of more than three "diplomatically related" partners. As things develop in this way, Taiwan authorities will be reduced to "a lonely man" in a matter of a few years.

A question worth noting is why have diplomatically related partners been so keen on "severing ties"? Of course, this has to do with political, economic, trade and other factors.

The problem is viewed from different angles by countries with differing national conditions. But a common point taken into consideration is that in the eyes of the world, the Taiwan regime can no longer represent China. It has thus forfeited its original "international image." The actual value of "diplomatic relations" with it has consequently declined. In future, with the development of the international situation, still more international organizations will successively grant China membership. With the unfolding of its diplomatic work, China will establish diplomatic relations with more and more countries. With the unfolding of frequent international exchanges, China will participate more extensively in various international activities. At that time, confronted with such a situation, what will the Taiwan authorities do?

Taiwan participated in the Los Angeles Olympics under the name "China Taipei," allowing athletes on both sides to play on the same ground and delight in a family reunion, leaving a good impression on the world and giving cause for endless praise. It has been hailed as "Olympian style." But, again on the pretext of "membership," the Taiwan authorities have recently announced that they will not participate in the 10th Asian Games to be held in Seoul in September this year. This phenomenon of retracing the old path cannot help but be condemned by public opinion.

To get out of its diplomatic plight, the Taiwan regime has stopped at nothing to save the situation. For example, it once suggested "substantive diplomacy," calling for the continuation of business relations despite the severance of diplomatic relations. It also practiced "overall diplomacy," calling for the intensive development of "sisterly markets" through strengthening people-to-people exchanges. It used loans, economic aid, and other means to practice "diplomacy featuring bribery." It even resorted to what was vainly called "diplomacy for the sake of diplomacy." But these measures could only serve to save face for a time and could not produce lasting effects. According to the Taiwan press, quoting a UN report, five countries in Latin America are putting out "feelers for the establishment of diplomatic relations" with China. Latin America is Taiwan's last diplomatic bastion and also its only diplomatic pawn. Of the 23 countries and regions which currently have "diplomatic relations" with it, more than half are concentrated in Latin America. Last year, Bolivia and other countries severed diplomatic relations with the Taiwan authorities. This year, given five more breaking off diplomatic relations with Taiwan and then a domino-type chain reaction, would this only "diplomatic bastion" of Taiwan not face the prospect of "disintegration"?

Faced with Taiwan's diplomatic plight, relevant authorities at higher levels are in a state of anxiety. Those at lower levels are burning with impatience to see something done. Public opinion has repeatedly appealed to the authorities not to stick to "legitimacy" and not to stick to their "nominal status." Face should not be the only consideration. Reality must be confronted. A new attitude should be assumed, with the practice of "flexible diplomacy." A student returned from the U.S. and urged the Taiwan authorities to "take cognizance of the existing international situation. It will not do to care for face only. A way to survive must be found before consideration of everything else. 'How can there be fur if the pelt is gone?' There are not too many choices." Public opinion on the island and elsewhere tends toward the view that if the Taiwan authorities are to choose between the claim to a given name and response to reality, and are content with nothing but existence in name only, they would rather change the name in response to reality. Only by "responding to reality" can there be a "deserved reputation."

DENG REPORTEDLY SUFFERED FROM 'MILD KIDNEY TROUBLE'

HK031026 Hong Kong CHENG MING in Chinese No 101, 1 Mar 86 p 74

[Article by contributing correspondent Chang Chuan: "Latest News on Deng Xiaoping's Health"]

[Text] Man of the Year

Before the Spring Festival, there was popular interest in Deng Xiaoping in the international circles because he was chosen by the U.S. magazine TIME as the "man of the year in 1985" and was put on the front cover of its first 1986 issue. The reason for the choice was that, in their view, China's economic reform led by Deng Xiaoping will exercise a tremendous potential influence on the development of human history and will enable socialist and Third World countries to see a Marxist path different from the Soviet pattern. In the meantime, Deng Xiaoping received an invitation from the International Millennium Society. The society informed him that he had been chosen by the 3,500-member society as one of 10 "most encouraging personalities" in 1985 and invited him to a grand celebration at the foot of the pyramid of Khufu in Egypt in 1999 to usher in the year 2000.

The society is comprised of youths from the six continents. Their activities are aimed at celebrating present achievements in civilization scored by man and looking forward to achievements to be accomplished in the third millennium.

"Someone Returns From Banishment"

The common people on the mainland do not know this nor are many people concerned about the condition of the top leaders at Zhongnanhai. However, quite a few old cadres, including a number of senior cadres in the Army, still cherish tender feelings for Deng Xiaoping.

Before the Spring Festival, I went to the Beijing Art Gallery to see the "exhibition of calligraphy and painting by veteran cadres in the Beijing Military Region." A central scroll hanging in the middle of the main exhibition hall attracted the most attention. It was written by Zhang Xifan, former deputy commander of the Beijing garrison command and currently vice president of the Beijing calligraphy association. More than 2 meters long, the scroll was reportedly written in 1977. At that time, Deng Xiaoping was reinstated in office but was unable to enter the Political Bureau. Deeply resentful, Zhang Xifan indignantly wrote down the following words: "When someone returns from banishment, people on the square break into cheers; when the seas are in turmoil, heroes are on their mettle." The name of the recipient as inscribed on the scroll read: "Written immediately after hearing that the revered Mr Deng was reinstated in office." After the antithetical couplet was mounted in 1984, quite a few people put additional remarks on it. By the summer of 1985, the scroll, which had been remounted and enlarged, was again full of inscriptions. The inscribers included people from the military, government, and cultural circles, many of whom were senior cadres. All of them supported his reinstatement, sang his praises, and placed high hopes in him. We can thus see that many old cadres cherish tender feelings for Deng Xiaoping.

He Was Unwell for a Time

For more than a month after mid-December last year, Deng Xiaoping did not appear on public occasions. This aroused the concern of many people abroad. Some Western journalists speculated that there was something wrong with his health. Later, a spokesman of the Ministry of Foreign Affairs repeatedly denied this rumor and said that Deng was in "very good shape." However, the words "very good shape" seemed slightly exaggerated.

A friend close to Deng's medical and health care expert group told me that Deng Xiaoping was slightly unwell in mid-December. There were some malfunctions of his excretory system, and he felt slightly uncomfortable in his stomach. His doctors were afraid that he might be suffering from stomachache or gallstones. After holding group consultations, the doctors diagnosed the illness as mild kidney trouble and ruled out the possibilities of either stomachache or gallstones. It can thus be seen that there was nothing serious about Deng's health but neither was he in "very good shape."

#### Indignantly Criticizing Unhealthy Practices

During this period, Deng Xiaoping recuperated at a hot springs convalescent center in Guangdong and had a medical check-up. On 17 January he delivered a speech on rectification (including his indignant criticism of Zhou Erfu for forfeiting national and human dignity) at the Standing Committee meeting of the CPC Central Committee Political Bureau. Later, on 8 February (on the eve of the Spring Festival) he put in an appearance in Chengdu by attending a Spring Festival gathering. It was believed that great progress had been made in the treatment of Deng's kidney trouble.

#### There Is No Harm in Hearing What People Have To Say

It was said (I think it was a rumor) in Beijing several months ago that Deng Xiaoping met a fortune-teller during a holiday trip to other places. The fortune-teller told him that he would meet with a disaster in 1985. When asked how the disaster could be avoided, the fortune-teller said that the god of longevity should be enshrined and worshipped in front of his gate. Later, a statue of the god of longevity appeared opposite Deng's former residence, which attracted a large number of worshippers every day. At the same time, some statues, such as a girl attending a morning prayer, appeared at some places in Beijing. Before the Spring Festival, the statue of the god of longevity in front of Deng's former residence disappeared. But the statues in other places still remained. I do not believe this rumor. The readers can see no harm in hearing what people have to say.

However, from various guesses and rumors about Deng Xiaoping's health we can see that: On the one hand, people pay very close attention to the principal character on China's political stage; many people wish him a long life but there are also people who hate him so bitterly they want him to die instantly. On the other hand, China has been unable to get rid of rule by man, a root left over from feudal society. The health of a leading figure may lead to fluctuations in political, economic, and other aspects. This cannot but be regarded as a sorrowful indication of an imperfect legal system.

#### SHENZHEN FINANCIALLY 'DRAINED' BY OVERSPENDING

HK280701 Hong Kong SOUTH CHINA MORNING POST in English 28 Feb 86 p 5

[By Ophelia Suen]

[Text] Excessive spending on infrastructure development has drained Shenzhen of financial resources and it now needs between 800 million yuan and one billion yuan (about HK\$2.1 billion and HK\$2.7 billion) to get back on its feet. "Sporadic changes" to Special Economic Zone [SEZ] policies -- which are still in the experimental stage -- imposed by the central administration, have also had detrimental effects on Shenzhen's rapid modernisation. In 1984, the central government supported Shenzhen's development by supplying five percent of its infrastructure investment. Most of the money was used for the setting up of the second border. Shenzhen in turn, was allowed to use a maximum of 40 percent of its total revenue for infrastructure development.

The central government also allocated between 800 million and 1 billion yuan (about HK\$2.1 billion and HK\$2.7 billion) for public funds.

However, according to one source, two national banks responsible for the SEZ's development funds used the money allocated by the central government for public funding, for infrastructure development instead. This meant, said the source, that more than three billion yuan (about HK\$8.1 billion) was spent on ambitious infrastructure projects in Shenzhen in 1984. "As a result, at least 800 million yuan is needed to replace the national fund and revitalise development in Shenzhen," the source said, adding that this was only an estimate and the sum needed might be much larger.

According to the source, the Minister for Foreign Economic Relations and Trade, Mrs Chen Muhua, visited Shenzhen recently to devise means of generating the necessary funds for the SEZ's resurrection. He said Mrs Chen's action was in response to the calls for help from SEZ authorities after a cash constraint was imposed on them by the central government late last year as a punishment for the misallocation of the funds. He believed that the purpose of Ms Chen's visit was to ensure that "not a single cent" exceeding the designated limit would be spent on infrastructure development.

Investment in infrastructure development was reduced to 2.74 billion yuan (about HK\$7.3 billion) in 1985, and this year it has shrunk by 25 percent to 1.65 billion yuan (about HK\$4.4 billion).

Meanwhile, top officials from national banks in Shenzhen have joined central government officials and national bank officials for a meeting to discuss Shenzhen's cash flow problems. Shenzhen officials are fighting to persuade the central government to relax its tight rein on the zone's funds, and some concessions are expected. "The money invested in Shenzhen's infrastructure is virtually tied down, for who knows how many years," pointed out the Shenzhen source. "And if left without cash funds the economy will become suffocated." He added that there was already evidence on this in various commercial departments.

At present, Shenzhen SEZ draws its revenue from a central government subsidy, foreign investment, bank loans and the SEZ's own income. It is thought unlikely that the government will agree to any relaxation of its tight hold on Shenzhen's infrastructure investment. However, the government has categorised the proposed multi-million dollar international airport at Shenzhen under its own central investment list. Without this direct investment, Shenzhen could not afford to build the airport -- estimated at least 1.9 billion yuan (about HK\$5.1 billion) since it is only allowed to spend 40 percent of its revenue on infrastructure. The government is likely to raise the money for the airport project from several provinces.

Recent changes in the policies for Special Economic Zones are also likely to be brought up at the current meeting with central government officials by the Shenzhen cadres. They feel that recent "sporadic changes" to these policies could deter foreign investment by shaking confidence in the zones' stability. One source said that the property market had been badly affected by one such change which meant foreign buyers were no longer allowed to move their mainland relatives' household registration to Shenzhen despite the fact that they had purchased property in the SEZ. The original policy, which allowed this, was initiated to attract home buyers from Hong Kong and Macao. It helped to generate a shortlived boom in the Shenzhen property market, but was withdrawn in 1984. As a result, officials say, Shenzhen is currently swamped with vacant buildings and only about 40 percent of residential and commercial complexes are being fully utilised.

Shenzhen SEZ made the following achievements in 1985 against 1984:

Infrastructure investment	:	2.74 billion yuan (completed land area of over three million sq metres).
Industrial output	:	2.67 billion yuan (up 60.3 percent)
Agricultural output	:	0.185 billion yuan (up 9.8 percent)
GNP	:	3 billion yuan (up 28 percent)
GNP per capita	:	4,400 yuan (up 16 percent)
Total income	:	2.5 billion yuan (up 25 percent)
Per capita income	:	3,690 yuan (up 15 percent)
Revenue	:	0.889 billion yuan (up 73.6 percent)
Commodities at total retail prices	:	2.646 billion yuan (up 29.3 percent)
Export	:	US\$0.27 billion (up 153 percent)
999 contracts with foreign investors	:	Total US\$0.83 billion (up 33.2 percent, of these US\$0.26 billion is already being utilized for production, up 23.5 percent)

Nearly 70 percent of the products from small and medium size industries in the SEZ are exported. Over 85 percent of the foreign investments and joint ventures are making profit.

#### CUSTOMS OFFICIALS PUZZLED BY CURRENCY SMUGGLING

HK280611 Hong Kong SOUTH CHINA MORNING POST in English 28 Feb 86 p 5

[By Ophelia Suen]

[Excerpts] A new trend of smuggling renminbi, China's national currency, to Hong Kong has puzzled customs officials at the Shenzhen Special Economic Zone. A total of more than 30,000 renminbi (about HK\$81,000) has been uncovered in about 50 cases involving passengers going through Jiulong Customs office during the Lunar New Year period. A Jiulong Customs spokesman said: "We don't know the objective behind smuggling huge amounts of renminbi out of China. Are there any outlets in Hong Kong for renminbi?" It is illegal to bring the national legal tender out of China. The spokesman said the largest single case involved a woman who was smuggling 10,000 renminbi (about HK\$27,000). He alleged she tucked huge bundles of renminbi in her clothing and luggage.

Previously, they have come across isolated cases involving tens or hundreds of renminbi. "Sometimes the money was left over as passengers did not bother to change them back into Hong Kong dollars before crossing the border," he said. During the New Year period, more than 500 cases of smuggling by passengers involving a total value of 460,000 yuan (about HK\$1.2 million) were uncovered by Jiulong Customs officials at the border.

Apart from this new trend of moving renminbi out of China, Hong Kong dollars continue to be smuggled out of the country. Three top cases during the New Year period involved HK\$123,000, HK\$100,000 and HK\$8,000. Two of these cases involved woman passengers.

Wrist watches, cameras and television sets top the list for goods smuggled into China. According to the same spokesman, more than 120 wrist watches were found on one passenger.

There is also a growing trend for obscene magazines and video tapes to be smuggled into China. People involved in porn trafficking were fined or detained for 10 days. Serious cases were referred to the Judiciary Department. However, passenger smuggling is relatively insignificant, the same official said.

Smuggling by sea -- during the day and night -- is by far the most serious, he said. "Sea and cargo smuggling rank first and second in terms of the amount of value involved. A container weighs over 10 tons, and it can contain a lot of smuggled goods. In this respect, passenger smuggling is in comparison, very insignificant." Last year, more than 5,100 sea-smuggling cases involving more than 68 million yuan (about HK\$183.6 million) were uncovered.

#### HONG KONG-PRC JUDICIAL AGREEMENT POSTPONED

HK010521 Hong Kong HONG KONG STANDARD in English 1 Mar 86 p 4

[Text] The judiciary and the Chinese authorities have failed to reach an agreement over assistance in the serving of writs for one another. The agreement, which would provide for the two territories' higher courts to serve civil and economic documents for each other, was to come into effect today. But a delegation from Guangdong which was here to iron out details, left yesterday after a 10-day visit, without reaching any agreement.

A statement issued by the judiciary yesterday said: "Although most of the matters related to the provisional agreement were clarified, there were other points which needed further consideration. The authorities in Guangdong and Hong Kong will correspond about them." The statement contradicted a report in the leftwing WEN WEI PO, which said the pact would come into effect as scheduled and its wording and scope had been agreed on. The report said the legal documents agreed to be served across the border included summonses, notice of intention to defend, copies of statement of claims, copies of defence statements, judgements and settlements.

The inter-territory pact, signed by the Chief Justice Sir Denys Roberts during his China visit last October, was an unprecedented move. The pact, if finalised, would oblige the supreme Court to serve Guangdong courts' documents on people in Hong Kong and imposes a similar duty on its Guangdong counterparts. But it would not involve extradition.

#### MILITARY SCHOOLS, ACADEMIES MEETING HELD

HK280849 Hong Kong WEN WEI PO in Chinese 27 Feb 86 p 3

[Report from Beijing: "Central Military Commission Holds 13th All-Army Military Schools and Academies Meeting"]

[Text] Beijing, 26 Feb -- Following the policy put forward by Deng Xiaoping that "education must be geared to modernization, the world, and the future," the Central Military Commission has held the 13th all-Army military schools and academies meeting. CPC Political Bureau Member and State Council Vice Premier Li Peng and Central Military Commission Deputy Secretaries General Yu Qiuli, Yang Dezhi, Zhang Aiping, and Hong Xuezhi attended the meeting. Qin Jiwei, Li Desheng, and others also attended the meeting. The tasks of the meeting are to study how to reform the education of Army schools and academies in an overall manner in order to meet the needs of strategic changes in the guiding ideology for building the Army, and to gradually establish a military education system which conforms to China's conditions and has Chinese characteristics. The meeting will also discuss and revise the "Central Military Commission's decision on reforming the educational structure of Army schools and academies" (draft) and the "plan for reforming the structure of, streamlining, reorganizing, and outfitting all military schools and academies of the whole Army" (draft).

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